World Correspondents Cable:

What's Ahead

LONDON – Sir Winston Churchill will turn over the Prime Ministry to Foreign Secretary Anthony Eden some time between Easter (April 24) and Whitsunday (June 7).

WASHINGTON – President Eisenhower may consent to a face-to-face meeting with Soviet Premier Malenkov--if Communist good faith is first demonstrated by establishment at the post-truce conference of a unified and genuinely independent Korea.

This would be a major policy shift, since obviously the White House has refused serious consideration of Churchill's repeated proposals for a "highest level" East-West conference.

TOKYO – The US will scrap Japan as keystone of Far East defense in favor of Okinawa, considered less vulnerable to air attack and "politically safer."

A billion dollars already has been spent on Okinawa military installations, and Senate Majority Leader Knowland, during his recent visit, told military leaders he favored a continued build-up.

The California Republican also warned the Japanese not to expect Okinawa's return for "three generations," despite Secretary Dulles' hint in Toyko that the island might be given back "soon."

SEOUL – Syngman Rhee's repeated threats to "drive North" in defiance of the armistice, and to release anti-Red POWs by force, are not the only headaches the 78-year-old ROK President is causing US authorities, who, from retired UN commander General Mark Clark on down, privately describe him in four-letter words.

Rhee hates Japan almost as much as he hates the Communists, refuses to honor any claims arising from Japan's occupation of Korea and, despite official US displeasure, bars Japanese fishing boats from Korean waters, which, by his ukase, extend sixty miles off the coastline.

In addition, he adamantly opposes the spending in Japan of any US dollars earmarked for Korean reconstruction. This directly conflicts with US policy, since it was planned to use such spending to bolster the shaky Japanese economy, gravely weakened by the post-truce ending of US war purchases.

Rhee had hoped to obtain sole control of the billion dollars pledged to rebuild South Korea. But US officials, mindful of the fate of American aid to Nationalist China, so far have blocked this, despite his powerful allies in US politics. Administration of the $200 million already made available is in the hands of a joint US-ROK board.

HONG KONG – The Royal Navy, strengthened by ships released from Korean duty, will take strong action against further seizure by Chinese Nationalist naval units of British and neutral shipping along the China coast. Crews of such vessels taken in the act will be brought to Hong Kong for trial as pirates.

A firm stand also will be taken to prevent any repetition of the incident in which a Communist gunboat fired on a British patrol launch, causing seven deaths.

TRIESTE – Turkey and Greece will rally to Yugoslavia's diplomatic support should the US and Britain, in completion of their March, 1948, promise, attempt to turn the Trieste area's Zone B, now held by Yugoslav troops, over to Italy.

However, Marshal Tito's government, after the popular furor has died down, is expected to accept as a fait accompli the Allied October 8 action restoring to Italy Zone A, including Trieste itself.

PARIS – The fear is growing that Marshal Alphonse Juin, NATO ground forces commander and former Resident General in Morocco, may see himself "obliged" to "save France from communism" unless the squabbling parties and special interests agree on establishment of a strong government by constitutional means by, at the latest, January or February.

What's Ahead

Insiders insist that the recent overthrow of Morocco's Sultan was a test of strength between the government and Juin's supporters in which the government came out second. Too, it may have been a dress rehearsal for a similar putsch in metropolitan France itself "should the necessity arise."

Most vocal of Juin' s opponents is Nobel Prize-winner Francois Mauriac, famous Catholic author who has repeatedly charged in Figaro that the Marshal plans to make himself dictator.

Influential Catholic circles bitterly oppose the whole Juin-inspired policy of force in Morocco. This would indicate that, should Juin attempt to emulate Franco in France, he would lack what was a major source of strength to the Spanish caudillo, the backing of the Church.

LONDON – The US, following its military bases agreement with Spain, will urge appointment of a US admiral as NATO commander of the Mediterranean' s Atlantic approaches.

Britain, although convinced the command should be British because Gibraltar is involved, will consent if the powers of Admiral Lord Mountbatten as NATO Mediterranean commander are increased to give him more authority over the US Sixth Fleet.

PARIS – French intelligence sources report that guided-missile bases able to launch a 97-ton rocket with a range of 3500 miles--which presumably could carry an atomic warhead--have been erected by the USSR on Kamchatka, across the Pacific from Alaska.

KARACHI – A new flare-up in the Kashmir dispute can be expected unless plebiscite machinery is agreed on by April 1, deadline set in the recent Pakistan-India agreement.

It is to India' s advantage to delay the vote as long as possible, since Kashmir' s new Prime Minister, Bakshi Ghulam Mohammed, installed with Nehru' s blessing, is carrying out a strong "Indianization" policy.

However, Pakistani opinion would reach the boiling point should the plebiscite encounter new obstructions. Prime Minister Mohammed Ali probably would be forced from office.

PARIS – French diplomatic sources in Moscow report the Kremlin is confident that France, by winter, will have a leftist government which will scuttle the proposed European Army. They quote Soviet Staff Chief Sokolovsky as telling intimates:

"All we have to do in Europe is leave it alone, for France will see to it that no shot is fired there."

The new Soviet Ambassador to France, Sergei Vinogradov, reportedly has been given huge sums to influence French public opinion.

AMMAN – A strategic armored striking force equipped with tactical atomic weapons will be stationed by the British at Aqaba, Jordan, following evacuation of the Suez Canal Zone by British forces under the projected Anglo-Egyptian agreement.

HONG KONG – Communist China, which previously had rebuffed all British overtures, shortly will grant diplomatic recognition to Humphrey Trevelyan, British representative in Peking, and send an ambassador to London.

NEW DELHI – Prime Minister Nehru is reported grooming US-educated Jayaprakash Narayan, leader of the Praja-Socialist coalition, as his eventual successor. Cooperation between Nehru' s Congress party and the coalition, made up of Congress dissidents and the Socialists, is regarded as the most effective means of countering growing Communist strength.

SEOUL – Allied intelligence experts estimate that the USSR now has 33 divisions, 5000 aircraft--half of them jet--and two cruisers, 20 destroyers and 120 submarines in eastern Siberia.

LONDON – Earl Mountbatten of Burma, now NATO Mediterranean commander, will be named First Sea Lord (Chief of Operations of the Royal Navy) in succession to Sir Roderick MacGriggor--provided Sir Roderick, scheduled to quit early next year, retires while Churchill still is Prime Minister.

Sir Winston is determined to appoint Lord Mountbatten not only because of his great reputation and abilities--he was Allied commander in Southeast Asia in World War II and last Viceroy of India--but in belated amends to his father, the late Prince Louis of Battenberg.

Prince Louis, married to a granddaughter of Queen Victoria, was First Sea Lord at the outbreak of World War I, when Churchill was First Lord of the Admiralty.

German-born, Prince Louis was forced out by a hysterical press campaign despite his royal connections and his lifelong services to the Navy.

However, should Churchill resign before MacGriggor, Mountbatten' s chances are not considered bright. Many influential Conservatives consider him and his wife, the former Edwina Ashley, much too close to the Labor party. For this reason, these circles deprecate his influence on his nephew the Duke of Edinburgh, Queen Elizabeth' s husband.

FOR WHAT'S AHEAD IN WORLD BUSINESS, SEE PAGE 71

LETTERS to the Editor

[We print below some comments from readers on the rehearsal edition of WORLD.—The Editors]

As Ambassador of Ecuador may I congratulate you in advance on the certain success of your efforts.

Dr. José R. Chiriboga V.
Ambassador of Ecuador
Washington, D. C.

I think the proposed material and the format for your first issue in November are excellent.

W. A. B. Iliff
Assistant to the President of the International Bank for Reconstruction and Development
Washington, D. C.

It seems to me that you are about to publish a magazine which is much needed and I will look forward to WORLD with great interest.

A. S. Lall
Consul General of India
New York, N. Y.

I like the paper, the setup, the color scheme, and above all, the arrangement of the various articles.

M. C. Conick
Main & Company
Pittsburgh, Pa.

WORLD will prove, I am sure, a fine source of information for everyone concerned with international affairs.

Benjamin Cohen
Assistant Secretary General for Public Information
United Nations, N. Y.

It looks good to me. I like particularly the change in the name of the magazine and the type of articles you plan.

J. F. Byers, Jr.
A. M. Byers Company
Pittsburgh, Pa.

WORLD should be an extremely interesting magazine and I would also say a useful one.

G. M. Bellanca
President,
Bellanca Aircraft Corporation
New Castle, Del.

I hope that WORLD does a noteworthy, top quality job of educating the American people in this new world leadership which has been thrust upon us. If it does the things I would have it do, it will fill a definite need because, in my opinion, we are running a race for survival. Neither the atom nor the hydrogen bomb will save us—only better understanding by our people of the new conditions in the world can do that.

Melvin Brorby
Needham, Louis & Brorby, Inc.
Chicago, Ill.

The development of new magazines is of importance to a healthy publishing industry. It is to be hoped that your publication with its sound intentions will win the acceptance it merits. Certainly lucid and measured reporting on world affairs is needed today.

Woodrow Wirsig
Editor,
Woman's Home Companion
New York, N. Y.

I think it is splendid that a publication is proposed which will . . . be oriented primarily toward international rather than domestic events.

Francis McIntyre
Director of Economic Research,
California Texas Oil Co., Ltd.
New York, N. Y.

We think that you have a wonderful idea that should be of particular interest to Americans. Best of luck.

Charles N. Granville
President, Angelique, Inc.
Wilton, Conn.

WORLD, America's Magazine of World Events, November 1953, Vol. 1, No. 1 (with which is combined WORLD CABLE, the International Newsletter), published semi-monthly by U. N. World, Inc. Editorial and Executive office, 319 East 44th Street, New York 17, N. Y. Re-entered as second class matter October 1, 1953, at the Post Office at New York, N.Y., under Act of March 3, 1879. Subscriptions $6.00 per year including WORLD CABLE; $11.00 for two years. Foreign postage $1.50 a year. Printed in the U.S.A. Copyright 1953 by UN World, Inc. All rights reserved.

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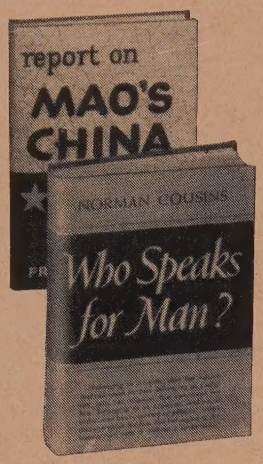

Frank Moraes

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LETTER FROM THE PUBLISHER

With this issue a new magazine is born. We who have worked on WORLD with such intensity for the last eight months are proud of our baby and confident of its future. We are also humbly aware of the major responsibility we have assumed in promising intelligent readers "America's Magazine of World Events."

America's place in the world has changed so drastically, and the attitude of the American people toward other parts of the globe has developed so rapidly in the last few years, that a completely new challenge confronts American journalism. We have taken on the job.

You and our other readers will be the jury that decides how successfully WORLD meets this challenge. To help you measure our accomplishment, here is a brief statement of some of our key objectives.

To find out what makes the world tick. WORLD does not aim merely at reporting foreign affairs. That job is already superbly done by several great American newspapers and newsmagazines. We wish to describe the forest, not the trees; to draw the conclusions rather than recapitulate the facts; to emphasize the strategy of world events rather than the momentary tactics.

To have leaders writing for leaders. As this first issue indicates, we expect to call on the great figures of the day to discuss the great issues of the day—men like Berlin's gallant Mayor Reuter, England's Alfred Duff Cooper, Italy's Adriano Olivetti, India's Lakshmi Menon and America's Chester Bowles. World leaders of thought and action such as these are the ideal writers for the leaders of American thought and action who will form the bulk of WORLD's circulation.

To put the best minds to work at this job. In subsequent Publisher's Letters I want to tell you about the men and women whose names appear on WORLD's masthead. Each has been carefully chosen for high professional ability and passionate enthusiasm for the exacting task WORLD has undertaken.

Together, we hope to provide you with a first-rate magazine which will tell you, authoritatively and arrestingly, the significance of international policy and international business developments: what causes them, what effect they have on the United States, and what they mean to you.

I thank you for your support and hope to hear from you. Your comments and suggestions will help us fill America's need for a truly vital magazine of international affairs.

Sincerely,

Roger S. Ridgeway

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West Berlin police guard Red official driven out by East Zone mobs. Divided Germany is the front where the West must advance, according to last plea by West Berlin's late mayor, Ernst Reuter (p. 6).

World

Vol. 1. No. 1.
November 1953

America's Magazine of World Events

For Building Use Only

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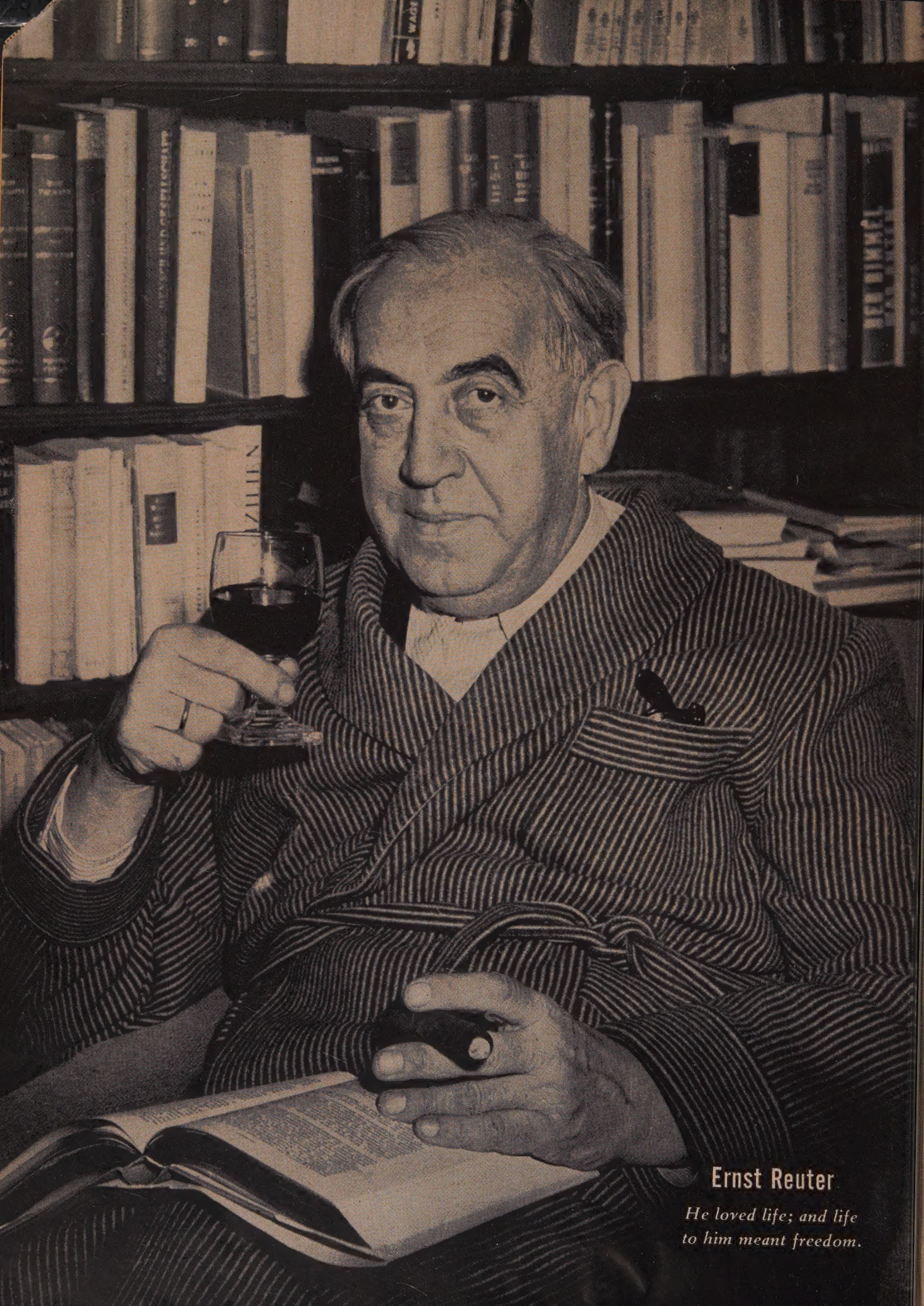


Ernst Reuter

He loved life; and life to him meant freedom.

VOL. I NO. 1 World NOVEMBER, 1953

A great fighter for freedom sends his last message to the West

The Way to Peace:

STAND UP TO RUSSIA
UNITE GERMANY NOW

By ERNST REUTER

A few weeks ago, we asked Mayor Ernst Reuter of West Berlin to write a major article for the first issue of WORLD. Tragically, it will stand as the last of his inspiring contributions to the cause of freedom.

Mayor Reuter would have wanted to see the English version of his article before publication; his sudden death on September 29 did not allow him to do so. But his old friend and press relations chief, Dr. Hans E. Hirschfeld, has officially approved the text, which now becomes Ernst Reuter's political testament in Western man's fight against tyranny.

We present it, with melancholy pride, to our readers and, we sincerely believe, to future generations.

THE EDITORS

How long will the West go on leaving its victories unexploited? Will Yalta and Potsdam continue to serve as models for dealing with Russia? Will the Allies make the same mistakes they made after the Berlin airlift?

At that time, we could easily have obtained from the Soviets a hard and fast agreement safeguarding Berlin's communications lines to the West once and for all. Instead, the Allies contented themselves with a return to the *status quo ante*, leaving our tormented city in about the same predicament as before. The result was a never ending series of harassments which have caused countless unnecessary hardships to millions of my fellow citizens for the last five years and are mainly responsible for the fact that even today West Berlin still has 218,000 unemployed.

I implored the Allied authorities at the time to take a more stouthearted attitude. I didn't want all the sacrifices made by America's wonderful pilots and Berlin's population to be in vain. But my advice—based on rather intimate knowledge of Russian psychology—was not heeded. Will it be heeded this time?

Again, the West has won two recent major victories in the cold war—on June 17, 1953, in East Germany, when the people rose against the puppet regime, and on September 6, in West Germany, when the voters overwhelmingly endorsed the Western alliance. Communism has been equally discredited in both zones. The "experts" who had been afraid that the mighty divisions of the so-called German People's Police would overrun the country in case of unification and establish

"My advice was not heeded...

a Red regime by force have been proved abysmally wrong. They now know that these police cannot protect even their own masters. Every month of this year, more than a thousand of these policemen have come over to the West, and for every one who escapes there are twenty more who would like to do the same.

Thus it can be said that Western policy was largely based on false premises. But have the Allies learned from their mistakes?

Is US frightened by its own courage?

President Eisenhower made a hopeful start when he sponsored the admirable food relief action for East Zone Germans. Yet when local US representatives saw the tremendous response this measure received, they got frightened by their own courage and tried to conceal the obvious—namely that America was the generous donor. Again they were afraid of trouble, and, sure enough, British and French voices quickly joined the chorus of pusillanimous souls asking: "Aren't we going too far? Is it wise to hurt Soviet prestige in this way?"

Now I am not a firebrand. I have always been opposed to sending agents into the Soviet zone to foster unrest among the people. Such methods would be not only childish but self-defeating. The whole value of events like those of June 17 lies in the fact that they were spontaneous manifestations of the popular will.

But if the Allies ignore the people's will and leave their hard-won advantages in the cold war unexploited, they will never get anywhere with the Soviets. The German people—East and West—have furnished you the tools; it is up to you to employ them.

In practical terms this means first of all that the West must do much more than it has done up to now to strengthen West Berlin. We must get at least 100,000 jobless off the streets to make this a healthy community again. There is plenty of work to be done. We have already rebuilt 33,000 flats; another 80,000 to 90,000 apartments are needed to bring Berlin up to the level of, say, Hamburg. We have drawn up an initial works project for 50,000 people, but it would cost $5 million a month and we lack the necessary funds.

Berlin is probably the one city on earth whose municipal problems ought to be the concern of everyone in the free world. For eight years the Russians have used every possible form of pressure—including blackmail and threats of starvation—to force the Berliners into submission. In vain. Today they know that they will have to go to war to conquer the city. The Berlin gamble is the Soviet's greatest failure since the war.

And that isn't all. Berlin now stands like a glowing torch of freedom in a sea of darkness. It is a showcase of Western life in the midst of Soviet territory. By its mere existence it has kept the Reds from winning over the eighteen million Germans in the East Zone. Largely because of Berlin's example, 95 per cent of them have remained staunchly anti-Communist and are bitterly longing for democracy after twenty years of dictatorship. As long as the city stands, the zone around it is lost to the Russians, and they know it.

That is why it is imperative to buttress West Berlin's economy. The more striking the contrast between our island and the gray sea around us, the more impatient the workers in the East Zone will be.

The constant flow of information we are receiving from East Germany indicates that the situation there has been steadily deteriorating since June 17. The FDGB, the Soviet-controlled trade union federation, is honeycombed with anti-Communist underground cells. Food prospects for the winter are dismal because 10,000 farmers have fled to the West without bringing in their harvest. Yet the Russians are people who don't know when they're licked. Hanging on to their zone by brute force, they still hope to coax it into acceptance of its plight by offering it palliatives.

Our task is to dispel this illusion. Through our example, our propaganda and our fraternal aid we must keep alive the spirit of resistance until the Soviets realize that the existing setup will always be more of a bane than a boon. For then, and only then, will they be ready to talk seriously about reunification.

A split Germany is a poisoned Germany

The German people's urge to reunite has grown stronger than ever in the past six months. But many of our friends in the West still seem to feel that, in this situation, the German interest doesn't necessarily coincide with that of the Allies. Even though they may no longer fear that a unified Germany would be taken over by the Reds, they appear to be plagued by doubts about its future. "The Bonn regime may not be perfect," they explain, "but at least we know where we stand with Dr. Adenauer. Why sacrifice a sure thing for a largely unknown quantity?"

This is an unrealistic attitude. It won't be possible to frustrate much longer the most fervent desire of sixty-five million people in the middle of Europe. Indeed, there is a definite danger that the German masses will again swing to the chauvinist Right if their most legitimate claims remain unfulfilled.

But the attitude is unrealistic also from the Allies' own point of view. Many of them tend to subordinate everything else to the European Defense Community and to suspect all Germans who fear that EDC might jeopardize their chances of reunion of being soft toward Russia. It seems to me that exactly the contrary is true. EDC is essentially a static concept that more or less resigns itself to Russia's permanent presence on the Elbe. By contrast, German reunion fits into the

framework of a more dynamic policy that is trying to obtain Russia's withdrawal behind her own borders through negotiation. Thus German unity should logically receive top priority among Allied policy targets.

Of late, Western statesmen have begun to realize this. They have started clamoring for both EDC and reunification without investigating to what extent the two are compatible. Most of their proposals so far have amounted to telling the Soviets: "Let us have EDC and we'll let you get out of East Germany."

Obviously, the men in the Kremlin found these offers a trifle naive and didn't buy. Does that mean that the West eventually will have to choose between EDC and German unity? Will Russia grant unity only to a neutralized Germany? Or will the Allies be able to make her swallow the EDC pill by sugarcoating it with a layer of mutual security pacts?

Only time can tell, but this much is certain: in their present stage of development, the Soviets need a long period of peace as much as do their neighbors. They may stall and jockey for position, but in the end events will force their hand, and then the West must be ready to act.

No sense in cornering the Russians

None of us will ask the Allies to sacrifice the defense of Western Europe to German unity, for that would leave all of us in the lurch. On the other hand, there is no point in going to the conference table with the firm resolve to eat one's cake and have it too. If the Soviets are allowed to get the feeling that they are cornered, they are liable to seek desperate solutions.

What seems essential to me is that the Allies approach the issues at stake with an open and elastic mind. They must be prepared for a give and take agreement without ever forgetting their objective: German unity and peaceful Soviet withdrawal. Neither EDC nor neutrality should be treated as a sacrosanct dogma in such negotiations, for each means different things to different people.

Will the twelve German EDC divisions, if they are finally raised by 1955, still have the same military value that they would have had in 1953? How many divisions was June 17 worth—i.e., were Allied planners able to revise their estimates when they found out the Soviets couldn't depend on the German People's Army? Could they, by analogy, draw new conclusions about the combat value of the other satellite armies? As a deterrent, how does EDC compare to stratojets, guided atomic missiles and the assorted hydrogen, cobalt and strontium bombs that have been developed or planned since EDC was first conceived in 1950?

As a layman, I believe there are sufficient indications that EDC is not an absolute but a relative item which can become the object of negotiation. And the same goes for neutrality. It, too, can have many different meanings.

No serious statesman would advocate leaving our country unarmed. Even the Soviets admit that the Germans, like all other sovereign nations, must be accorded the right of self-defense. And then there can never be any moral, political and spiritual neutrality. Like Sweden and Switzerland, Germany belongs irrevocably to the Western family of nations, and like them she would prove it in an emergency. Thus the neutralized Germany the Soviets seem so eager to bring about would give the West no cause for worry.

Will a united Germany be dangerous?

From the parallel actions I propose—relentless pressure on the East Zone and free-wheeling talks with the Russians—a unified Germany may finally emerge. What will it look like? Will it be integrated into a wider European community? Or will it again become overbearing and antagonize its neighbors?

I think I can reassure our friends on that account. A reunited Germany will be a democratic country *par excellence*. In free East Zone elections, the Communist-controlled SED (Socialist Unity) party will obtain no more than 3 to 4 per cent of the popular vote. The largest number of ballots will be cast for the Social Democratic party, but countless other citizens will vote the Liberal or Christian Democratic ticket. In their joy over freedom regained, all Germans, regardless of party, will work for full domestic harmony.

The foremost task of the new regime will be to put the East Zone back on its feet. This alone will be a tremendous job requiring the planned return of refugees to their old homes, currency reform, the re-equipment of railroads and factories, the gradual rebuilding of Berlin and other key cities.

Obviously, the replacement of the hundreds of plants and other capital goods carried off by the Soviets, and the revival of the East German economy, will necessitate the investment of billions of Western marks. It will absorb every ounce of energy and initiative the Germans have to spare for many years to come. This in itself will be a reassuring factor to those who fear German competition abroad. Instead of getting in other peoples' way, we will offer the outside world excellent investment opportunities.

"Yes, but what about your economic system?" our friends will ask. "Virtually all of East Zone industry has been nationalized. Do you expect us to invest in state factories? How do you plan to reconcile East and West in this sphere of activities?"

Not everything that has been done in the East Zone in the past eight years can be undone. No sane German statesman would try to revoke the land reform

(*Continued on page 70*)

The Mind of Asia:

MORE POWERFUL THAN THE H-BOMB

Hatred of the West sweeps like wildfire across Asia. What can America do to turn a billion potential enemies into friends?

1. You are guilty!

By MRS. LAKSHMI MENON

Parliamentary Secretary to Nehru

WHEN Nehru speaks of the Asian mind and Western insensitiveness to it, there is usually a titter among the journalists. There is no American mind, they say; nor is there a European mind. How then can there be an Asian mind? And Nehru's argument is treated as the idealistic effusion of a starry-eyed patriot striving to promote international understanding.

Yet if these same men and women have followed the proceedings of the non-political committees of the UN General Assembly, they will have noticed a very curious thing.

The representatives of the Asian countries, especially those who are not swayed by political influences that restrict their freedom of thought, think alike, speak almost in the same vocabulary and vote in the same way—and invariably without prearrangement.

To the unprejudiced observer, it is simply the spontaneous expression of an attitude of mind common to people whose history and culture have gone through more or less identical experiences and who, therefore, conform to certain unmistakable patterns of thinking. And that is what Nehru means when he speaks of the Asian mind.

What is this Asian mind and how did it evolve? During the last two centuries historical circumstances have made Asia, once the home of mighty empires and civilizations, the happy hunting ground of the industrialized West. The period was marked by economic exploitation, consequent suppression of indigenous arts, crafts and culture, and partial enslavement of rulers and ruled by a cleverly devised policy which in its vileness and heartlessness far transcended the proverbial oriental despotism.

In my country it used to be said that the grip of Ranjit Singh, former Sikh ruler of the Punjab, was like cholera—you succumbed to it at once; but that of the British was like slow consumption because you did not recognize it until it was too late. Missionary enterprise, promoted during this same period, was similar in its effects. Unobtrusively, by means of churches, educational institutions and hospitals, Christian missions not only weaned those who came under their influence from their native religion and culture but developed in them a sneering contempt for their own religious heritage.

The "white sahibs" became the *Herrenvolk* of the colonial and extraterritorial regimes in Asia. A few of the natives in each of the Asian countries, imbued with the immediate advantages of Western religion and education and deprived of their own, became *deraciné*, perforce seeking refuge and solace in the culture and mode of living of the foreigner. But even these, when the crisis came, quickly responded to their deepest instincts and were only too eager to shed their masks and appear in their native hues.

When the movement for liberation reached its culmination in World War II, the memories of the past with its frustrations and humiliations were fresh, and the occasion provided an outlet for these pent-up feelings as well. As the Japanese lines advanced into Southeast Asia, the foreign rulers unceremoniously threw

Americans could not commit a graver error than to judge the conduct of Asian nations and their resistance to US policy exclusively in the context of the Communist problem. We must understand Asia, and cope with her in the terms of her own ambitions and grievances. Therefore, Mrs. Lakshmi Menon, who speaks her—and Asia's—mind on these pages, is worth the most careful attention of all Americans, even those who will most violently reject her attack on the West. Far from being an isolated extremist, Mrs. Menon is a distinguished woman educator, delegate to the UN and currently Nehru's spokesman on foreign affairs in the Indian parliament. To give our readers a constructive reply to her startling charges, WORLD has called upon Chester Bowles, former US ambassador to India, who won acclaim both there and in America for his grasp of the modern Asian mind. Answering Mrs. Menon's article, Mr. Bowles outlines the basis for a new understanding between Americans and Asians of good will—the most vital international task which faces us today.

down their "white man's burden" without any thought of the fate of those whose protection hitherto had been their self-imposed responsibility, and sought refuge in the relative security of unoccupied Britain.

For the first time Asians saw the gilt off the gingerbread. And what a spectacle it was! The white sahib fleeing for his life before the despised Asiatic! At the same time, they saw Japan, Asian and imperial, organized and powerful, matching its wits against the great ones—and successfully at that.

The next step, the Asians' final overthrow of foreign domination in order to choose their own way of life, was only a matter of time. These things need to be told because they are the factors which have conditioned the Asian mind.

Today the Asian, more or less relieved of this external pressure, looks around the postwar world. What does he find? His erstwhile rulers are still trying to run his affairs, and, unfortunately, there is the same cleavage between precept and practice. He finds segregation of colored people in the USA and South Africa and perhaps in other parts of the world as well; restrictions on immigration of his fellow beings in these countries, not to mention their total exclusion from Australia; discrimination in varying degrees of intensity against non-whites and Jews in many other countries besides.

Yet these are the very nations that preach fundamental rights and human brotherhood! While they declaim the doctrine of One World and international cooperation, they raise high tariff walls to protect domestic industries, bolster commodity prices and create artificial scarcity; while they talk of promoting international understanding, they increase travel restrictions.

In the human family itself maldistribution of essential foodstuffs has reduced vast areas of the world, especially those under colonial rule, to chronic poverty and misery. And when help is offered to Asian countries which have gone through the disease of colonialism and have felt the ravages of war as much as any European country, if not more, the attitude of the giver makes the gift itself a difficult thing to accept.

The unsophisticated Asian sees first things first and it is not his fault if he fails to understand the vast gulf which separates theory from practice. If humanity is, as is repeatedly alleged, one brotherhood, why then, he argues, is there so little brotherliness in the world? If Christianity is the religion of love and brotherhood and exalts the dignity of the individual, why don't Christians practice it in their homelands? If peace is the goal of all human endeavor, why are they preparing for war with such lethal weapons of mass destruction as the atom and hydrogen bombs? If we agree war is bad and therefore should be eliminated from civilized life, why don't we all work for total disarmament? This is how the Asian mind sees things, and one must grant there is sense in both attitude and argument.

The newly liberated countries in Asia cannot be blamed if they prefer reason and logic to the hidden motives of international relations. Asian countries are not able to understand or see things as the Big Powers do. Distorted ideas of national prestige which would sacrifice thousands of carefully and lovingly nurtured lives as a votive offering to national honor do not blur their vision. Of what value, they ask, is the prestige of a government and the military greatness of a leader if these mean untold suffering and homelessness for millions, engender cruelty in the hearts and minds of men and women who normally would not hurt a fly, create a feeling of bitterness on all sides and destroy every value that civilized life has brought to humanity?

Most Asians think like Nehru. Even intelligent Americans think like him. A Gallup poll taken at the end of 1950, after six months of war and propaganda, showed that 57 per cent of the American people favored the admission of Red China to the UN and only 28 per cent opposed it. A month later another poll showed that there was a three to one majority in favor of US withdrawal from Korea.

This proves only that the people of the world share the Asian's inability to understand the logic of those who fight wars to ensure peace, cause destruction to spread prosperity, commit mass murders to guarantee the right to life, and jealously keep secret the fruits of scientific research that they may devise weapons of total destruction in order to promote international understanding and cooperation!

Many observers have remarked, perhaps justly, that

this paradox is the consequence of what the French would call a lack of *"l'intélligence du cœur"*: the failure to understand and recognize the fact that different concepts and ways of life can flourish in harmony without being steamrollered into unrelieved monotony; that the seeming efficiency of daily life which stems from conformity and a certain uniformity of needs and habits is not so conducive to happiness as we are told.

Happiness depends not on possessing all the things that one desires, but on being able to be content with a few essentials. Happiness and contentment are not the same thing, yet it is doubtful if one is possible without the other. The foreigner is often surprised at our unambitious laborer who will work the minimum needed to meet his basic wants and then while away his time playing with his children, or talking to his equally unambitious friends. To him time is not money. Time is a part of eternity, and the Asian does not understand the tension in which his Western counterpart lives.

The Asian wants peace not as a political expedient, not even as a prerequisite and necessary concomitant of progress. He wants peace for itself; he shares the poet's belief that "heaven it is to be at peace with things." All Asian religions stress this one theme. Buddhism preaches compassion for *all forms of life.* Islam means the religion of *peace.*

More than any other part of the world Asian countries have undergone every form of aggression, every form of cruelty and torture, every form of subjection and humiliation, and every form of sorrow and suffering. Even today their suffering has not ceased. Foreign interference in their affairs, wars, poverty, disease, misery and want have made their problems unimaginably different from those of the Western countries.

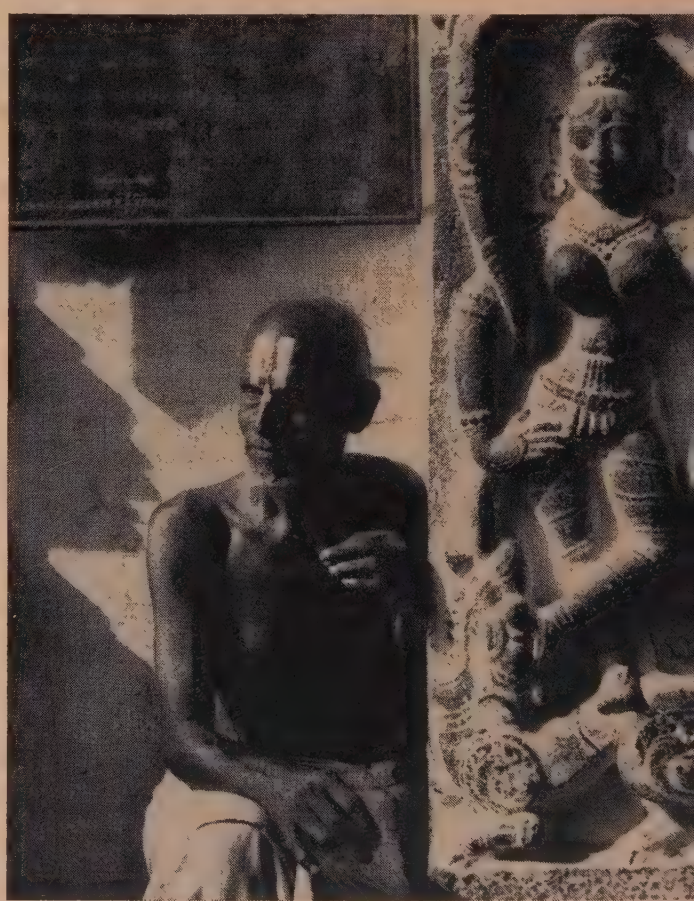
And in so far as outlook is influenced by economic conditions, the Asian's outlook also is different. His problems are not problems of control of atomic weapons, or total disarmament, or other related matters. They are not even those of fundamental rights and freedoms; not even of the right to life. His is the more persistent and compelling question of "how to live"; how to eke out the bare minimum which will keep body and soul together so that his children may not die of starvation.

The Asian hopes—and which man does not?—that his wife may not die in childbirth for want of food and care, and that his children may have a better chance in a happier world. For this he does not need war which "wastes a nation's wealth, kills its flower, narrows its sympathies." On the contrary: he needs all the things which war mercilessly destroys.

Such people, men and women, engaged in grappling with the fundamentals of existence, see things differently from their brethren elsewhere. That is why they do not trust the sincerity of those whose actions belie their professions. And when these people see things clearly and in the correct perspective, others question their capacity to see things at all! Yet they do. And that is the Asian mind, and, believe me, it is not a myth.

THE WAY OF THE OTHER WORLD

Since the Indian peasant's plow scratches a bare living from the soil, his prime concern in life is the minimum for survival. A fatalistic religion teaches acceptance of few of this world's goods: below, a follower of Shiva the Destroyer, worshiped by Hindus as a full partner in inevitable earthly trinity: Creation, Preservation, Destruction.



Womanpower, *hired at a pittance, helps an Indian contractor's valuable bullocks smooth a new road. As the beasts of burden in a primitive technology, Asia's unproductive masses are cheaply rewarded both in wages and human dignity. Western techniques could narrow the gulf between Asia's lofty human ideals and squalid practice.*

2. We're both guilty!

By CHESTER BOWLES

Former US Ambassador to India

MRS. LAKSHMI MENON'S eloquent though angry defense of the Asian mind, and her indictment of our Western outlook, are likely to stir an equally angry reaction among many Westerners. Some may be tempted to dismiss her charges the easy way by saying: "Of course, discrimination is wrong whether it occurs in Mississippi or South Africa; but isn't it equally wrong when it applies to the untouchables in India?" Or, "Of course, armaments and cold war conflicts are wasteful and ugly, but how about India and Pakistan, who still haven't found any solution to their own bitter cold war which imposes on them military budgets far beyond their means?"

But I knew Mrs. Menon in New Delhi, and while I disagree strongly with many of her views, I have the utmost respect for her intelligence, her integrity, and her devotion to the democratic ideal. Thus I believe that the West cannot afford to brush aside her arguments and charges. The conflicts which her article reveals must be deeply probed; in them lies the clue to what Nehru calls "the heart and mind of Asia."

Let me say at the outset that I believe Mrs. Menon is wholly right in saying that there is an Asian viewpoint and that Americans who ignore it or minimize it are shortsighted and unfair. Over and over again, in every country from Lebanon to Japan, I have heard the Soviet Union, Communist China, Korea, America, Europe and the cold war described in almost identical terms. Mrs. Menon repeats many of these opinions

here, bitterly and, I think, unreasonably. We may protest; but we must recognize that whether we like it or not it is essential for us to understand that what she is saying through the pages of WORLD is exactly what thousands of educated non-Communist Asians are also saying in their universities, offices and homes.

But it is just as important for us and Asia to recognize that the gulf between precept and practice is not purely a phenomenon of the Western mind. Just as there are differences of thought and action in America, so there are differences of thought and action in Asia; for Asia is a continent in ferment, a ball rolling, and some of those who set it rolling and watch its headlong course today have been, or will be, left behind. Freedom is complex and many-sided. Where Asia may have cried with one united voice against her bondage in an earlier time, she cries with many voices now on issues which the fact of freedom has inevitably raised.

These voices—those to which Mrs. Menon gives expression as well as those which she does not echo—reflect the complex, many-sided revolutionary ferment of Asia: the determination to be free of foreign rule, to utilize expanding economic opportunities, and, by destroying the last vestiges of "Asian inferiority," to stand as equals with the white men of the West. No thoughtful American can quarrel with such concepts, for our own democracy was built on the same ideas.

THERE is no doubt that, as Mrs. Menon says, an important role in the development of the Asian mind is also played by Hinduism, Buddhism and other Asian religions and philosophies which emphasize the unity and sanctity of all living things and teach that truth is many-sided. As Asian statesmen watch the struggles and conflicts of other countries, something deep inside most of them rises to say that nothing is all good or all evil. When one nation insists that its cause is right beyond question or that India must "either be for us or she is against us," the average non-Communist Indian is sincerely puzzled and insists that an effort should be made to harmonize differences rather than to draw clear-cut lines of battle.

Yet the fact cannot be ignored that these teachings of tolerance and love of fellow men are constantly competing in Asia with the fierce divisions of caste, religion and nationalism. Thus we are puzzled in our turn, and inclined to feel, as Mrs. Menon does of us, that many Asians fail to practice what they preach.

Gandhi, who spent his life opposing such communal passions, offered a kind of bridge between Asia's concepts of tolerance and relativity and the West's moral concepts of right and wrong. His approach was peaceful, but not at all passive or submissive; he was as firm about what he believed to be right and wrong as any Puritan. And Mrs. Menon herself is equally sure about what she thinks is wrong in the world.

Gandhi sought to reinforce the religious theme of peace and good will, but against him ran a countercurrent of violence. Subhas Bose, the fiery leader of Bengal, who went so far as to join the Japanese invasion of South Asia and form an "Indian National Army" to fight the British, still has countless admirers. India's bold defense of Kashmir in 1947 thrilled millions of Gandhi's violence-hating supporters and won conditional and sad approval from the Mahatma himself.

Thus, even with the examples of Buddha and Gandhi, and after centuries of subjugation, India and Asia, like the rest of the world, have not yet been able to abandon the ways of violence and war. When Pakistan increases her army and air force, India does the same. An arms race, with its vicious cycle of fear feeding on fear, is something both should understand.

IT IS true that the proverbial patience of the East, the sense of timelessness in a village, are part of the Asian picture. But it is equally true—and this Mrs. Menon does not mention—that one of the most essential facts about the new Asia is its growing thirst for material progress. In Communist China the tremendous supply of human energy is being harnessed in the name of progress by violent, coercive and cruel measures. Everywhere in Southeast Asia and the Middle East there is a turbulent sense of change—an impatience to catch up, to become equal with the West in every way.

Like other Asians, the Indian people, despite their heritage of other-worldliness, are now, for better or for worse, in a hurry. Indeed, it is haste in economic development far more than in spiritual renunciation of Western ways which seems to be the common concern of the people and of their parliament.

If Asia's religious and philosophical heritage can at best account for only a part of the current Asian mind, Mrs. Menon probably provides the clue to the main factor when she speaks of colonialism. Nehru never tires of saying that it is colonialism "in all its forms" which Asia primarily seeks to overthrow. More than any other force, the common experience of colonialism accounts for the similarity of attitude in all Asia.

Probably the most painful form of Western domination was the racial insult. This was felt in various degrees, from the benevolent if arrogant notion of "the white man's burden" itself, to the rampant discrimination and segregation practiced by the "white sahibs" in their clubs, hotels, parks and swimming pools. Sensitivities were sharpened to recognize even the most subtle racial slights, such as "native" and "Asiatic," with their unconscious connotation of contempt.

How deep these racial wounds go is not easy for a white American to know. Even strongly pro-Western Indians will admit with some embarrassment that they felt a strange burst of pride, a momentary exultation, when they heard that the "unconquerable" white man had surrendered with scarcely a shot in Hong Kong, Singapore and Indo-China to the Japanese.

Countless Indians and other Asians are still convinced that we dropped the atomic bomb on the Japanese because they are colored, and that we spared the Germans because they are white. Those who know that

we did not complete the bomb until after Germany surrendered often argue that in any event we would have used it only to destroy "teeming Asiatics" whom we did not respect as human beings.

Mrs. Menon's article shows vividly how racial injustices here at home remain a major obstacle to an effective American foreign policy in Asia. We should not be surprised to see her reflect the deep Asian resentment against the *apartheid* program in South Africa and segregation in the southern United States. America can expect the majority of the world's people who are colored to identify themselves with the Negro and to keep reminding us of our dedication to the proposition that all men are created equal.

The Asian concept of colonialism, however, is far broader than alien white rule. It also includes economic inequality between countries with well-developed industrial power and agrarian countries dependent on the export of raw materials. Science and technology, particularly in the form of capital equipment, have grown at an uneven pace throughout the world and Asians believe that this was largely the result of the colonial system. Many Indian scholars insist that when the British subdued the subcontinent in the middle of the eighteenth century the industrial revolution was more advanced in India than in Britain itself.

The Asian mind, which sees poverty as the world's most pressing problem, finds it difficult to understand the huge size of our military appropriations compared to the small sums for Asian economic aid. To an Asian there seems to be little logic in spending billions to fight Communists, but only millions to ease the conditions which make communism possible.

This is a point which Americans should understand as they become more familiar with Asia's problems. At the same time, Asians should recognize, as they gain experience with the processes of democracy in their own countries, the difficulty of persuading tax-burdened Americans to dig still deeper into their pockets to help finance the development of far-off countries.

But if the Westerner is slow to appreciate the problems of Asia, the Asian mind has its own shortcomings in understanding the forces which are abroad in the world today. For instance, many non-Communist Asians in a hurry, impressed with the pace of economic development in the Soviet Union, still overlook the cost of Communist dictatorship in terms of concentration camps, forced labor and secret police.

The victory of Chinese communism complicates the picture further by giving the world Communist movement a certain degree of Asian color. Although most informed Indians know that North Korea committed a direct act of aggression in June 1950, the thought of alien white soldiers again fighting against Asians on Asian soil is acutely painful, if not intolerable.

Again, in Indo-China we see clearly a war to stop the Communist Chinese from overrunning the strategic rice-rich key to South Asia; while they see only another chapter in the long struggle of Asian people to break the grip of colonial rule.

In the long run, however, as the danger of communism in South Asia becomes clearer, it is likely that the

REDS OFFER A SHORT CUT . . .

Chinese Communist crowd gives a mass salute to marching members of an Artists and Writers Front. Ruthless discipline, Soviet-style, can pay quick dividends in industrial modernization — main goal of Asian nationalist leaders.

defeat of direct Communist military aggression in Korea will be of historic significance—and recognized as such in Asia. Let us hope that from the Korean experience the Communists have learned not to attempt similar aggressions elsewhere, and that the non-Communists of Asia have learned that the Communists will enter any available vacuum; perhaps we of the West have learned that an Asian army cannot be stopped without enormous sacrifices.

Meanwhile it is encouraging to see that the threat from local communism is more and more clearly recognized in the new South Asian nations. This is true of Burma, Pakistan, Indonesia, Thailand and Ceylon as well as India, where Red terrorism has been suppressed with a ruthlessness seldom equaled in the West.

Perhaps the best hope for broader understanding and for peace is for America and free Asia to join hands in a war on poverty which absorbs the energies, removes the frustrations and fills the revolutionary vacuums with progress and hope. Then the Communists will find fewer soft areas to tempt them to invade from without or start civil war from within.

Although Asians, from the most conservative to the most radical, may think alike on such matters as colonialism and racial discrimination, they differ deeply on how to develop Asia itself. Against the men of democratic values like Nehru are not only the fanatic Communists of the Left but many large landowners and others with vested interests of the Right who are determined to sabotage the long overdue reforms. People like Mrs. Menon should help us to identify those Asians with whom to join hands.

These differences exist, of course, within America too, and Asia needs to learn how to discover and work with the best of America. Certainly Mrs. Menon does not make it any easier by presenting the gulf between precept and practice as purely a Western phenomenon.

Nor is the lack of brotherliness in the world purely a result of the West's failure to live up to its preachments. Such a cleavage will exist in all lands as long as men are men and not angels. Every Christian must be aware in his heart of his own failure to carry out the full commandments of his faith. Every American must be aware of his country's failure to live up adequately to the truths which once were held self-evident. And every Asian will realize in his own soul that his prayers for peace and the well-being of all living things are still far from being answered in his own land.

On the other hand, no sensitive American who visits India can come home without reporting the wonderful good will of the people of India. We can only hope that the native friendliness of the American people is equally clear to the Indians who come to our shores. Perhaps there is more brotherliness in the world than we know, if we can open our minds to find it.

Mrs. Menon is right in saying that the Asian mind is no myth, and that the West can ignore it no longer. But I believe that she will agree that if civilization is to survive, this turbulent century must somehow see the development of a World Mind which belongs to neither West nor East but combines the great good in each.

. . . TO ASIANS IN A HURRY

Children in an Indian village gallop out to meet a jeep—still a curiosity to them. Asians of all ages are hungry for the new freedom, self-respect, or abundance which only machines—Western or Soviet Russian — can give them.

Churchill before Sunset

by Alfred Duff Cooper

[Viscount Norwich]

To be famous for fifty years of one's life is in itself a remarkable achievement. Twenty years cover the complete career of Napoleon, while those of Julius Caesar and Alexander are contained in far shorter periods. Winston Churchill was well known throughout the British Empire when this century began, and now, in its sixth decade, having outlived friends and enemies, he occupies a position of unquestioned supremacy.

His progress has not been easy. He has not marched along a broad road across a level plain from one success to another. No man has had greater experience of the ups and downs of fortune; he knows the gloomy paths that lead through the dark valleys as well as the swift ascents to the mountaintops.

When he first stood for Parliament he was defeated; he suffered four other defeats at the polls during his career. In the First World War he was held responsible for the disastrous Dardanelles expedition and was obliged to leave the government. During the ten years that preceded the Second World War, having quarreled with all political parties, he became a lonely, almost isolated, figure, bitterly opposing the policy of reform in India and the abdication of King Edward VIII. It is hardly too much to say that if he had died in 1939, at the age of sixty-five, he would have been recorded as one of those brilliant failures whose names litter the pages of history and are soon forgotten.

It should also be added that if such a misfortune had occurred, it is extremely probable that Great Britain would have lost the war. For, in his country's greatest crisis, Churchill came forward to save everything when it seemed that all was lost, to crown despair with hope and build victory out of defeat.

"What manner of man," future generations will ask, "was he who wrote his name so large across so long a period, who achieved so much, and who saved not only his own country but perhaps the whole civilized world from overthrow at the hands of the barbarians?" It is the duty and the privilege of those who have known Churchill intimately to answer that question; the record should be useful to posterity.

Winston Churchill conforms to no type. Of British and American parentage, he no more resembles the majority of Englishmen than he does an average citizen of the United States. Some portraits make him look like a bulldog, an animal for which the English have an affinity; but in so far as they do so they are poor portraits and their makers are guilty of bad psychology as well as of inaccurate reproduction.

Churchill does not look like a bulldog nor is his great courage the obstinate, silent, tenacious kind that

Alfred Duff Cooper, *now Viscount Norwich, is a man after Churchill's own heart. A Grenadier Guard in World War I, he began his long career in Tory politics as an MP in 1924. With Anthony Eden, he resigned from Chamberlain's Cabinet in 1938 to protest the appeasement of Hitler at Munich, returned to Churchill's War Cabinet in 1940. His books include* Operation Heartbreak, Sergeant Shakespeare, The Second World War, *biographies of Talleyrand and Marshal Haig.*

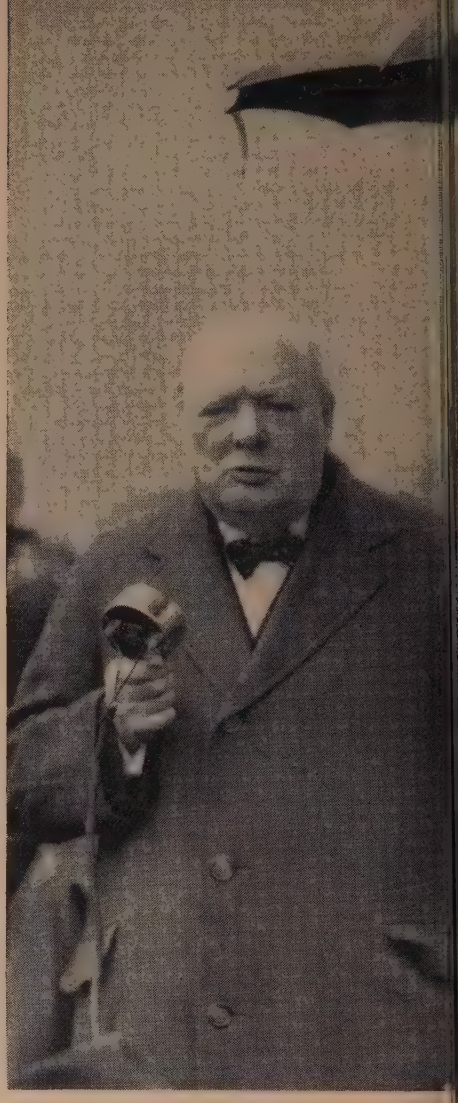
we associate with the breed. On the contrary, he is a strategist who, when he finds himself faced by what seems an insuperable obstacle, does not weary himself by vain attempts to conquer it, but seeks some easier way to circumvent it. In the First World War he was not one of those who believed that we had to go on hammering at the German Army in the west until we had destroyed it. He looked for another way round, and believed that in the Dardanelles he had found it. The first was the solid, stolid, unimaginative English way; the second was the way of Winston Churchill.

CHURCHILL is impatient. It is a quality that has had great influence on his life. He gets tired of waiting. He likes to bring things to a head.

Today he feels that the policy of containment, of waiting for the gradual disintegration of the forces behind the Iron Curtain, has lasted long enough, and recent events in Russia have convinced him that significant changes are taking place behind that impenetrable barrier. Out of the silence there has come a loud noise. It was not the explosion that had been hoped for; it was more like an opening of windows and beating of carpets. While others wondered and waited Churchill said, "Let's go and see." Although he knew no more than the others of what had happened, he thought it important to discover if use could be made of it. Above all, he was anxious not to lose time, for time means more to him than to most men.

Churchill is sensitive. In the last general election the charge most frequently brought against him by his Socialist opponents was that of being a warmonger. The fact that he had been out of office for more than ten years before the last war started was disregarded, as was the equally patent fact that had the warnings

TRADITION *Family portrait of John Churchill, first Duke of Marlborough, hangs in Blenheim Palace. Victor over Louis XIV's armies and virtual ruler of England in the early 1700s, Marlborough was the founder of the Churchill clan, and its greatest figure—until Sir Winston, a direct descendant.*



CHAMPION *The old campaigner exhorts his fellow Britons at an outdoor rally during the last general election, which returned him and the Tories*

he gave during those years been acted upon, the war might have been prevented.

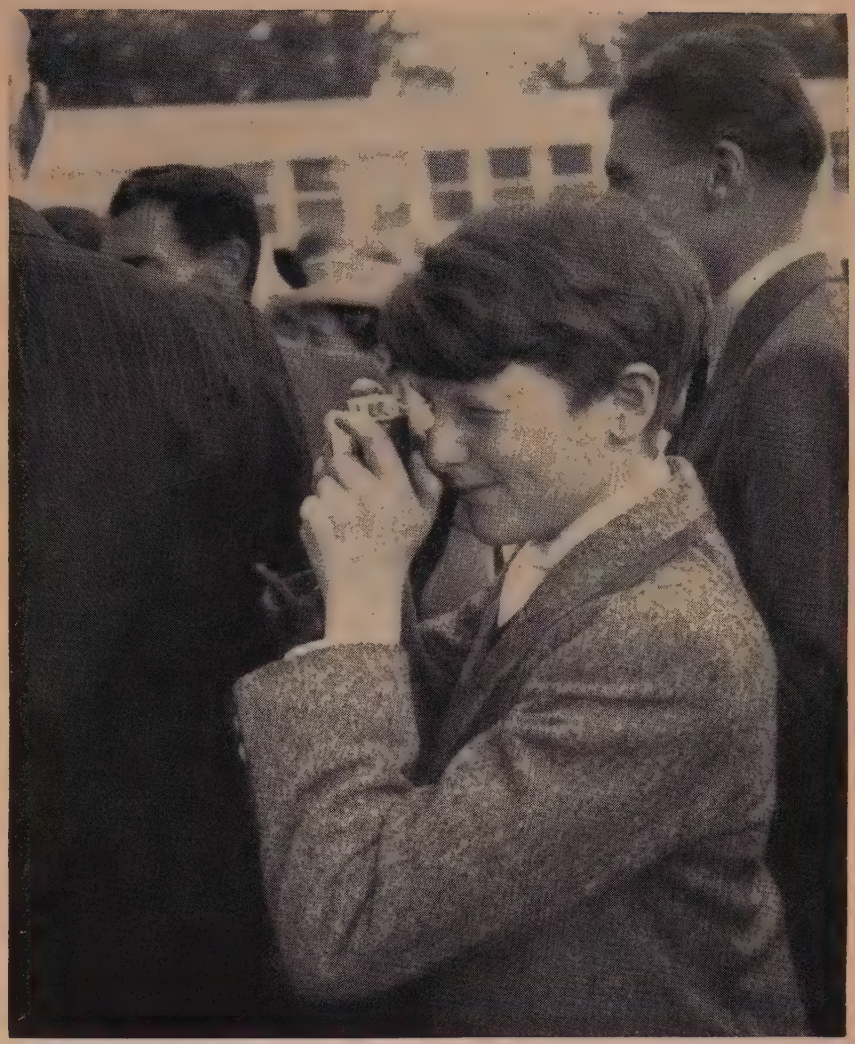
There is no doubt that he bitterly resented the insinuation that he, in the evening of his days, was willing to launch another disastrous war upon the world. What better reply could he give to his traducers than to hold out the hand of friendship to the Russians, offer to meet them round the table, come to a satisfactory agreement with them, banish the specter of fear from men's minds and go down into history as the man who, having won the greatest of all wars, also laid the foundations of a sound and lasting peace? That would have been, and may yet be, a crown indeed to set upon a great career, and an ample justification of his reluctance, despite his age, to put down the great burden of office. "Churchill the Peacemaker" is perhaps his dream.

Beginning as a soldier, Churchill enthusiastically embraced that profession, missing no opportunity of going on active service even when his own country was not concerned—a predilection that led him to Cuba during the Spanish-American War. He threw himself wholeheartedly into polo, then the recognized relaxation of a cavalry officer. Ever since he has delighted in every form of game without achieving great proficiency at any but extracting the maximum of pleasure from each. Card addicts may be sorry to hear that he has not yet graduated from Oklahoma to canasta and that he remains loyal to bezique.

He has lavished his boundless energy equally on the exhausting profession of politics and any avocation that attracted him at the moment. When Charles James Fox said to Sheridan that there was no greater pleasure in life than lying under a tree with a book, Sheridan replied, "Why with a book?" Such simple joys were never for Winston Churchill. The pleasures of reading are for him the consolation of the sickbed, not the amusements of a healthy, vigorous man.

Picnics delight him, but for him picnics do not mean a sandwich and a flask under a hedge. When he was convalescing at Marrakech early in 1944, after a serious illness at Tunis, I was his guest for a few days.

to power by a narrow margin. His stately wife Clementine (now Lady Churchill), whom he married 45 years ago, gives him a little shelter against characteristic British skies.



INHERITOR *Favorite grandson, Julian Sandys makes a candid record of the notables gathered at Strasbourg for the Council of Europe. Son of Churchill's daughter Diana and Duncan Sandys, Tory Minister of Supply, Julian (now 17) has the red hair, freckles and zest for politics which characterized young Winston at the turn of the century.*

He was staying in a beautiful villa that had been put at his disposal by its American owner. Most people would have been content to lie in the shade of its trees and let rest and relaxation do their work, but such negative delights hold no charms for the Prime Minister of Great Britain. Every day there had to be a picnic.

No one who encountered the cavalcade that such a picnic entailed could have been blamed for thinking that a battalion was on the move. The guests, including secretaries and doctors, totaled at least a dozen; half that many cars were required to accommodate them. The commissariat had a lorry to itself and furniture was taken along for those who preferred to eat seated on chairs. Behind the commissariat followed the guard; expert police officers and the best detectives that Scotland Yard or the FBI could provide had to bump over the dusty roads of North Africa so that the Prime Minister could be protected from enemy agents while he enjoyed his midday meal.

All his activities are upon a large scale. Even when he is in Opposition his secretariat resembles a miniature government department. He wakes early, and after a copious breakfast does a full morning's work before getting up, unless he has an appointment which compels him to do so. At all hours of the day and night a stenographer is on call.

Soon after the First World War, when dairy products were scarce, a friend casually suggested that Churchill keep a cow. He was then out of office and out of Parliament. Circumstances seemed to dictate economy. The next morning, however, his wife found him at his writing table surrounded by tomes on cattle breeding. He had already communicated with the Ministry of Agriculture and with some of the principal cattle breeders and obtained their advice as to the most profitable type of herd. "Somebody suggested I should buy a cow," he said. "I thought it would be prudent to review the whole question on a broad and comprehensive basis."

When fate gives a man such remarkable and varied

talents it is hard to select one that outshines the others, but those who have had the good fortune to know Churchill well will probably remember his conversation more vividly even than his oratory.

Nothing is harder to convey than the particular character, the flavor, the tang of a man's private talk. There is, however, one characteristic of Churchill's conversation that can be set down. That is the suddenness with which he will change the whole key of what he is saying, and switch from Gibbonian prose to schoolboy slang.

I remember an instance of this when he was describing to me the steps that were taken to prepare for the invasion of North Africa in 1942. He was explaining the great difference that existed between the British attitude and that of the United States toward the Vichy government. We had no diplomatic relations with Vichy and several times had been on the verge of war with it, whereas the US was represented at Vichy by an ambassador and relations between the two governments had been perfectly correct. In these circumstances it was natural and proper that President Roosevelt, about to invade French territory, should send a message to Marshal Pétain explaining the action.

Churchill thought that Roosevelt's message was far too friendly—even flattering—to the aged Marshal. "I endeavored to point out to the President," he said (I quote from memory), "that our approach to the personality of Marshal Pétain differed fundamentally from that which the wording of his note seemed to imply, that there existed in Great Britain no admiration for the Marshal, that we had felt bound to find considerable fault with his conduct, and that we were unaware of any ground for moderating the views we had formed; in fact . . . that we thought the old bastard one of the biggest stinkers unhung."

A remark he made at another time shows the sympathy and perception that have enabled him to "walk with kings nor lose the common touch." We were driving through one of those gloomy industrial towns of northern England where smoke hides the sky, where it seems to be always raining and everybody seems to be poor. "How sad," he said, "to live in such a place, never to see anything beautiful, never to eat anything good, never to say anything clever."

CHURCHILL is a discriminating judge of the pleasures of the table and often wanders into the kitchen to inspect the progress of a meal. He loves food and wine and spirits; he loves art and painting, literature and conversation; he loves horses and horse racing; he loves his friends.

But more than all these things he loves office. True, his natural resilience, the range of his interests, the breadth of his mind and the curiosity of his intellect have helped him to bear with equanimity and even gaiety the long intervals between official jobs. But he could never feel that his life was full while he controlled no great Department of State. Churchill likes to govern better than anything else in the world, and he was not perfectly happy until he became Prime Minister with supervision over all his colleagues.

He is the despair of his physicians. He disregards their counsels and outlives their other patients. I saw him not long after his illness of last summer and found him in undiminished spirits and vigor, conducting his life along its customary lines. I myself, having also been ill, was on a diet, but he was treating himself to the best of everything in the usual quantities.

During the war he formed the habit of sleeping in the afternoon and derived great benefit from it. It was not a matter of dropping off in an armchair, but of undressing and going to bed for an hour or two. Having done so, he felt justified in sitting up until the early hours of the morning, which has always been his practice. He sleeps well, but his ability to relax is an even greater advantage. He throws off the cares and responsibilities of his great office as easily as one would shed an overcoat and enters into the spirit of dining with a few friends as single-mindedly as if there were nothing more important in life.

In age as in youth it is impossible for Churchill to act contrary to his nature. He can assume neither the grand manner of a Gladstone nor the whimsical affectations of a Disraeli. He has the good manners that come from a kind and generous heart; he has never sought to acquire the artificial brand prescribed by Lord Chesterfield.

He cannot conceal his feelings and does not try to. When Josef Stalin declared his intention at a dinner party of putting 50,000 leading Germans to death after the war, Churchill was revolted, and showed it. When Elliott Roosevelt, an uninvited guest at the party, gave serious support to Stalin's bloodthirsty proposal and asserted that it would have the approval of the American people, Churchill left the table in disgust. Stalin himself followed Churchill into another room and, assuring him that it was only a joke among old Allies, persuaded him to return.

Tory stand-ins

Reproduced by permission proprietors of *Punch*

Stalin, Hitler, Mussolini—how rapidly these names begin to fade into a crimson cloud of horror. Their lives belong to the chronicles of crime rather than to the history of nations. The reader of the future will turn with relief from their dark records to the bright pages that shall recount Winston Churchill's glorious career, devoted to his country's service, illuminated on every page by wit and eloquence, and pervaded throughout by a profound sympathy for suffering humanity.

How Pravda Is Made

If an American publisher ran his newspaper the way the Russians operate *Pravda*, he would go broke in a couple of weeks. On the basis of hitherto restricted data obtained by WORLD on the production of the Communist party's official mouthpiece, no other conclusion is possible.

Although on normal days *Pravda* publishes only four pages, it has 2500 people on its payroll. Of these, 1500 are what newsmen call "stringers"—part time local correspondents—who represent the paper in the various towns and cities of the Soviet Union. They receive monthly retainers plus payment for items used.

The editorial staff in Moscow includes 350 "instructors" who serve mainly as supervisors, and 300 "collaborators-editors" who do the actual writing. The remainder are foreign correspondents who are stationed in all major news centers of the world—and whose salaries and expense accounts are generally much bigger than those of their capitalist colleagues.

Pravda's sprawling staff is headed by Editor-in-Chief Peter N. Pospelov and fifteen section editors. The section dealing with Party news is considered the most important, with industrial news second, foreign news eighth, and art news last. Each editor must submit a complete working plan to the Editorial Council one month in advance. The Council, which is composed of the leading section chiefs, approves the subjects to be treated or modifies them after consultation with the Central Committee of the CP. This committee is both final authority and publisher.

The collaborators-editors are usually given ten to fifteen days to write a single article, which means that they produce only two or three pieces per month. To Western newspapermen who work under constant pressure this may sound like a life of ease, but a *Pravda* reporter has worries undreamed of by his Western confreres.

A "capitalist" newsman need only get his facts straight; this is just the beginning of the Soviet journalist's job. He must see to it that every line he writes is in keeping with the current political trend. Any trifling fact he gives may be held inopportune by the powers that be—with disastrous consequences for him. He must verify the opinions held by the higher-ups on all persons cited in his story, as one or the other may have fallen into disgrace without the reporter's knowing it. Frequently he has to organize—in liaison with the instructors—"spontaneous" mass meetings, demonstrations and collective letters to the editor praising certain articles.

On the other hand, the *Pravda* reporter enjoys favors and prestige which his Western counterpart receives only in Hollywood's version of the newspaper business.

He has the unrestricted use of a private car—a privilege otherwise granted only to members of the higher ranks of the vast Soviet bureaucracy. He has entree everywhere: passes to the cinema, the theater, the ballet, the concert hall, the right to travel around the country, to get first class accommodations on trains and in resort hotels, a good table and not too big a check in the best restaurants, and all the rest of the "honest graft" which goes with his position.

For, in the peculiarly stratified Soviet bureaucracy, the *Pravda* staffer has an important position and, if the sword of Damocles hangs over his head in consequence, he enjoys himself while he can.

Although his official status is not high, he is in direct touch with the sources of power: he has a pipeline to the Kremlin. In the circumstances, it is no minor thing for an official, uneasy as all Soviet functionaries must be, to lock horns with a *Pravda* representative. Hardly any do.

Since *Pravda* proclaims the official line on world events, the Kremlin secretariat sends a top-secret directive to the Editorial Council every morning. This must be followed scrupulously. Moreover, all articles on foreign policy and cables from correspondents abroad are double-checked by the TASS agency and the International Service of the Central Committee secretariat.

They also are carefully gone over daily before publication by a special section of the Interior Ministry which, during Stalin's lifetime, reported directly to the dictator. Presumably this is still the practice under Malenkov. Then, when the paper is rolling off the presses, one of the first copies is sent to the Kremlin for final approval.

Pravda sets the tone for the entire Soviet press in every field. Through the order in which it enumerates them, it shows the rank occupied by high functionaries in the official hierarchy. For example, the report on the Supreme Soviet meeting of July 29, 1953, by mentioning in third place Comrade Nikita S. Khrushchev, revealed that henceforth he must be regarded as the USSR's No. 3 man.

Similarly, its "line" is the last-minute policy directive throughout the USSR and the Soviet bloc, and not even a satellite premier would think of violating it short of word from Malenkov or some Politburo member.

There is no appeal from *Pravda's* critical judgments. To take just one example: a few months ago a new novel by Vassili Grosman, *For a Just Cause*, was favorably reviewed by most of the Soviet literary critics. *Pravda* violently attacked the book as "pernicious" and "reactionary." Immediately, the Union of Soviet Writers executed a complete about-face, and the *Literaturnaya Gazeta* devoted a whole page to demolishing the novel it had acclaimed only ten days before.

Pravda now has a daily circulation of more than 2.5 million copies. So that it will reach the remotest corners of the USSR on publication day, special mats of the paper are flown every morning to Kiev, Baku, Sverdlovsk, Leningrad and Novosibirsk, where local editions are printed. Copies are flown by air mail from Moscow to all the satellite capitals and to the major cities of the free world as well, so that *Pravda* is delivered to subscribers in Paris and London within three days of publication, and in New York within five days.

But in the USSR the paper is distributed only to party members, party organizations and administrative personnel; it cannot be bought at newsstands or railroad stations. *Pravda*—The Truth—is still unavailable to the masses of the Russian people.

On the way into a hinterland village, the Presidential limousine is led through triumphal palm fronds by a drum-beating crowd. Many Liberians had scarcely seen their own leaders until American-built roads opened up the jungle.

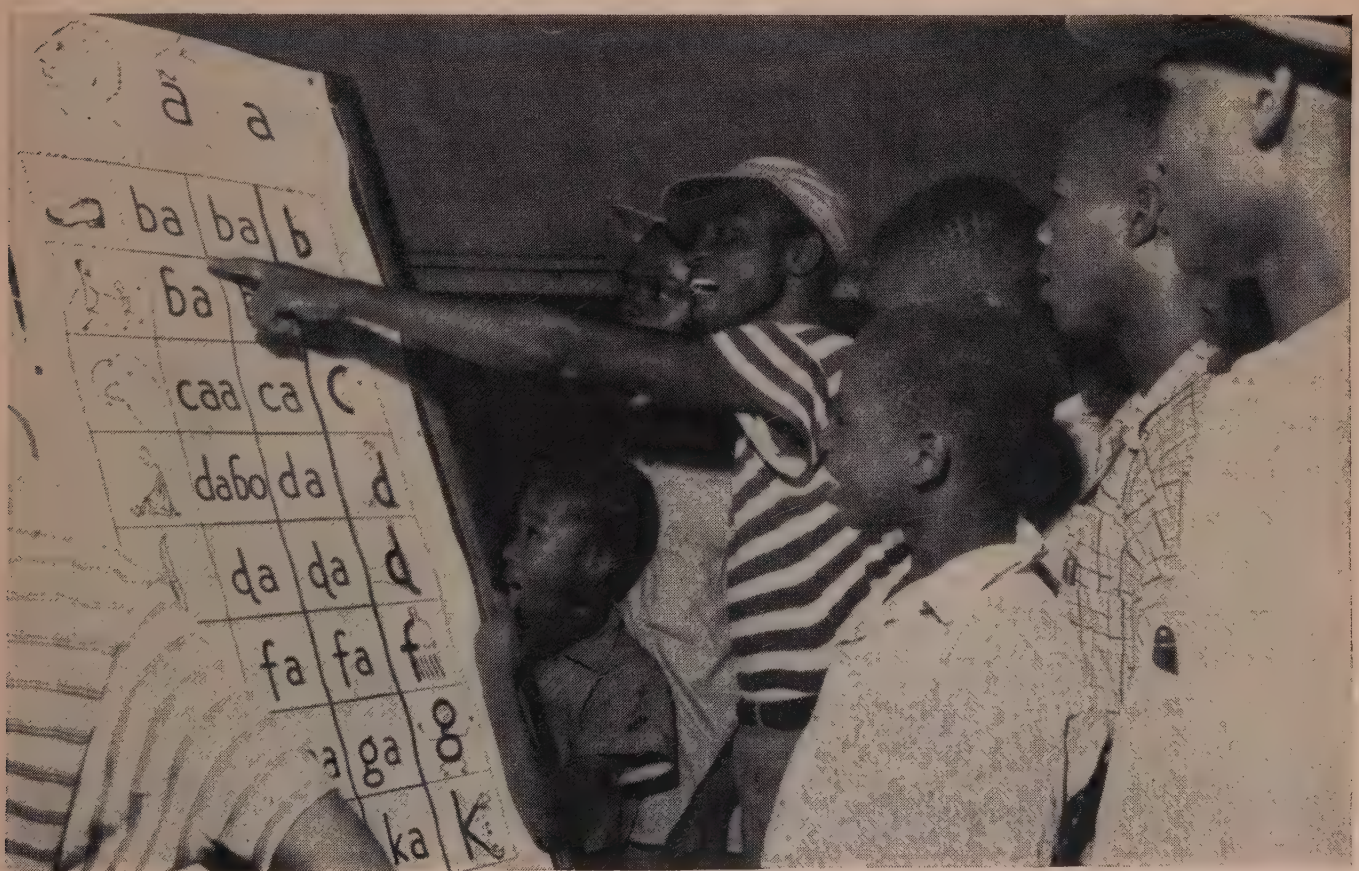
LIBERIA

AMERICA'S AFRICAN WARD COMES OF AGE ON A RISING CREST OF DOLLARS

PHOTOGRAPHS BY GRIFF DAVIS

Liberia's only bank is financed by Firestone

The "Land of the Free" was founded on the west coast of Central Africa in 1820 by a boatload of American ex-slaves; they named their camp "Monrovia" after the US President. But the US confined its help to mild diplomatic protection from European colonial ambitions, and the devoted labors of abolitionists and missionaries. A century later, about 20,000 stubborn descendants of the colonists still clung to the coast and held rough-and-ready sway over 1.5 million inland tribesmen. In 1926 the Firestone company opened a new era by giving Liberia a loan and taking a million-acre concession for rubber plantations. It was not until World War II shortages, however, that rubber exports—and prices—jumped. US armed forces built Liberia an airfield and its first cross-country road. Lend-Lease put up $20 million to build a modern free port at Monrovia. The port opened up the Bomi Hills, 35 million tons of 65 per cent pure iron, to development by ore-hungry Republic Steel in 1949. Today, with exports tripled (to $51 million) in three years, Liberians feel the release of a vitality which may set a new, American pattern in Africa's colonial twilight.



Sound of his own voice is identified for the first time by a Liberian on phonetic charts of Dr. Frank Laubach's literacy team, who have worked out alphabets for 11 of the 20 main tongues spoken by Liberians—90 per cent illiterate.

RAW MATERIALS PAY LIBERIA'S WAY INTO THE 20TH CENTURY

Graduation from "bush school," where most Liberian adolescents get an education confined to tribal lore, is celebrated by a dance climaxing in a high back flip.

First shipment of iron ore for Republic's American steel mills is loaded at the port of Monrovia after being hauled from Bomi Hills on Liberia's first railway (40 miles long).

Crude rubber, formerly lightered through the surf, is now handled at Monrovia's new piers. Firestone rubber is 75 per cent of exports, gives jobs to 30,000 Liberians.

Staple food, rice, is spread to dry by Liberian woman. US Point Four mission is trying to restore former cash crops of coffee and cocoa, debilitated by disease, low standards.

Chief Executive William Vaccanarat Shadrach Tubman prays at his second inauguration. "Bobor [Brother] Shad" is boss of the monopolistic True Whig Party, representing the Americo-Liberian ruling class with its old-time religion and national pride. A progressive, Tubman tours the aboriginal interior, has assigned $33 million to development.

LIBERIANS GET THEIR FIRST LOOK AT SOME NEW POSSIBILITIES—

Overawed by the humble Kakata maternity hospital, a tribal woman sees the white bed where she will have her child. Her guide is Ellen Moore, bush woman who studied nursing in US, returned to found hospital.

"Sacred thunder" by a local chief to the central government is set down by an itinerant typist. In charge of road building in his area, the chief chides Monrovia for delay in sending pick-axes and wheelbarrows.

ND ONE ANOTHER

Government official with plans for public works is received by the chief who will carry them out. The road from Monrovia inland has become two-way; for first time, the tribes send representatives to Congress.

Young conservative resists an introduction to the machine age by his older brother, who wants him to play with a toy truck crudely copied from those of a road-building gang which has penetrated to the boys' village.

Inside Story

Moscow's Caribbean Gateway

After years of quiet preparation, international communism moved openly this month to seize power in a tiny country 5000 miles west of the Iron Curtain and on the very doorstep of the United States: Great Britain's South American colony of British Guiana which borders Venezuela and commands the West Indies gateway to the Caribbean Sea.

It was a surprise move and a dramatic one. If it did not immediately succeed, it was only because Britain rushed warships and troops to the colony to back up an Order in Council by Queen Elizabeth. Empowered by this order, the royal governor suspended the new constitution under whose terms, in British Guiana's first free election eight months ago, the Communist-led People's Progressive party gained control.

The inside story of how British Guiana's government fell into Red hands boils down to the saga of a husband-and-wife team. Leader of the Guiana Red-front movement is Cheddi B. Jagan, a handsome and brilliant East Indian. His chief deputy is his wife, American-born Janet Rosenburg, a former co-ed of Michigan State College, Wayne University and the University of Detroit. A leading member of the Young Communist League in the Chicago area, Janet met Cheddi when he was studying dentistry at Northwestern University and converted him to communism. They were married in 1944, and soon afterwards went to British Guiana.

Here the Jagans operated quietly—but diligently—for several years. Out of a dozen or so young intellectuals they formed the hard core of the People's Progressive party, which came into the open in 1948. Janet became the chief propagandist; Cheddi, the organizing force and principal orator.

The Jagans dressed themselves in a camouflage of rags and agitated among the hungry, oppressed sugar workers. (For these field trips, of course, they left their three cars at their comfortable home in Georgetown, the country's capital.) Wherever they could assemble an audience, they aroused their listeners with the usual Communist denunciations of imperialism, colonialism, exploitation and racism.

Janet, a pretty and exotic blonde, would shed her glamorous harlequin glasses and bare her feet just before joining women work crews in the sugar fields. She would fix her fluffy golden hair in either East Indian or African style, depending on whichever racial group she wanted to influence.

With British Guiana's economy based on sugar, and world sugar prices low, the poorly paid workers made a vulnerable target. The Jagans told potential voters they could have houses, cars, radios and sewing machines by electing the Communist-front People's party candidates. After the party's election triumph, naive workers went to a sewing machine agency in Georgetown and demanded their machines.

About half of British Guiana's 437,000 population is East Indian, a third Negro. By skillfully stressing racial discrimination, the Jagans were able to unify the two races—hitherto bitter enemies—against the whites.

Organization was improved and expanded after the Jagans and several of their lieutenants had made trips behind the Iron Curtain. Cheddi organized a youth corps and Janet brought women into active politics.

A front for the Communist peace offensive — the British Guiana Peace Committee — opened a disguised line of communications with Moscow. The party organ, *Thunder*, showered the country with propaganda. It carried "news" dispatches from Peking and the Communist-controlled World Federation of Trade Unions, accusing the US of aggression, imperialism, and germ warfare in Korea.

The new constitution provided that the majority party organize the government, and, after their April victory, Cheddi became majority leader and Janet deputy speaker. International communism thereby won a strategic and economic as well as a political victory, since British Guiana is one of the world's chief sources of aluminum-yielding bauxite, has unexploited deposits of manganese and extensive deposits of gold, diamonds and mica.

From the Red point of view, the future seemed bright. Under the new constitution the colony had considerable autonomy and had been looking toward eventual Dominion status, or even independence. Britain cooperated with the People's Progressive party, preferring to have the party-liners share governmental responsibility rather than agitate underground.

US State Department officials, however, were alarmed. They pointed out that the conditions the Jagans exploited in British Guiana exist throughout the British West Indies. Well-organized and financed Communist agitators are now exploiting them, especially in Jamaica and Trinidad.

But the hands of the State Department were tied by British pride and Congressional economy. British imperial pride does not permit Point Four projects to operate in the colonies. When the US consulate in British Guiana was closed last December, it removed the most effective American opposition to the Jagans. Consul T. E. Burke and his wife Eleanor had been quietly refuting anti-US propaganda.

"Communist anti-American propaganda just couldn't stand up in the face of Mrs. Burke's work with our people," Thomas Morrell, an influential local lawyer, reported. "She traveled through the jungles, organizing art and music classes. These classes were very popular with the people. And they didn't seem much like the American imperialism that the Jagans had been shouting about.

"Although the Burke team didn't have much in the way of time, funds or facilities, it was just about as effective in selling democracy as the Jagan team was with its Communist-front party. When the consulate was closed, the Jagans had an open field."

Today there is not one American propagandist in the British West Indies. There is not a single labor attaché in the Foreign Service to influence labor unions, where political power is being organized and increased. Everywhere the Communists are winning the vital first rounds by default. And the fact that Britain's military and naval might suddenly had to be mobilized to save British Guiana from a Communist coup underscores the hard fact that the Reds may be quietly making their greatest gains where they have been receiving the least attention —in our strategic backyard.

World Survey:

How are we doing Abroad?

WHY, on the eve of crucial international negotiations, is the US disliked and even feared in many parts of the world?

Why is Japan, after five years of benevolent occupation and almost three years of freedom, seething with criticism of America? Why does Britain distrust our intentions, India resent our policy, Latin America charge us with selfish intervention?

Here are the answers from WORLD's correspondents in the major centers:

TOKYO

Sydell Magelaner reports:

The Japanese don't like Americans. Nothing makes this clearer than the popular attitude toward rearmament, forbidden by the MacArthur-approved Constitution but now desired by the US. Last February a poll by Japan's largest newspaper, the Tokyo *Yomiuri*, showed 56.9 per cent in favor of rearming. In September, in a second poll, the percentage dropped to 40.5.

Alleged misconduct by US personnel is a favorite Japanese target. Professor Sadayoshi Fukuda writes in the current issue of the magazine *Bungei Shinju:*

"We wish Americans in Japan to behave decently. But not a few American troops are vulgar, and their wanton petting in public in disregard of the customs of Japan causes the harsh feelings of the Japanese people against the Americans. This must stop, or the stationing of US forces must be reconsidered."

Professor Fukuda listed as other reasons for anti-Americanism:

"Sincere contempt among those intellectuals who think occidental culture is represented by Europe and the US has no culture—even if she has a civilization.

"Red-hunting in universities and Hollywood by McCarthy and McCarran and other ultra-Right politicians."

Mainichi, another of Tokyo's "Big Three" newspapers, listed "prodding of Japanese rearmament, continued stationing of troops, Communist agitation and America's needlessly nervous fear of communism."

Another factor is the strained relations between Japan and South Korea. South Korean President Syngman Rhee, who spent years in exile and in Japanese prisons, hates Japan. His navy continually seizes Japanese fishing boats in the narrow waters between the two countries. The Japanese insist we do something about this situation, much to the embarrassment of US officials in both nations.

What makes the situation worse is that neither US nor Japanese officials are willing to speak bluntly and honestly to the Japanese people, especially on disarmament. Senate Majority Leader Knowland, during his summer visit, caused red faces in both quarters by demanding that the Japanese people be treated "like adults." So far there has been no other result.

Basically, however, according to neutral observers, Japanese anti-Americanism is the result, intensified by defeat and Occupation, of the nation's deep-rooted anti-foreignism. A French diplomat told me recently:

"If you Americans were smart, you'd get out of Japan. You can only keep Japan on your side from as far away as you can get."

HONG KONG

Ron G. Whitehead reports:

The recent attack by Senator Knowland on British trade with mainland China aroused deep resentment here, especially since it came shortly after a Communist gunboat killed seven sailors aboard a Royal Navy launch enforcing the rigid regulations against strategic materials shipments.

The influential *South China Morning Post* stated that Knowland's blast was "resented all the more since one must assume, pending proof to the contrary, that those lives were lost . . . in pursuance of those stringent measures."

It added that at least one million of the local Chinese criticized by the Senator were refugees from Communist China who "earn their living the hard way and do not, like the vast

Bungei Shinju, Japan

"Gotcha!"

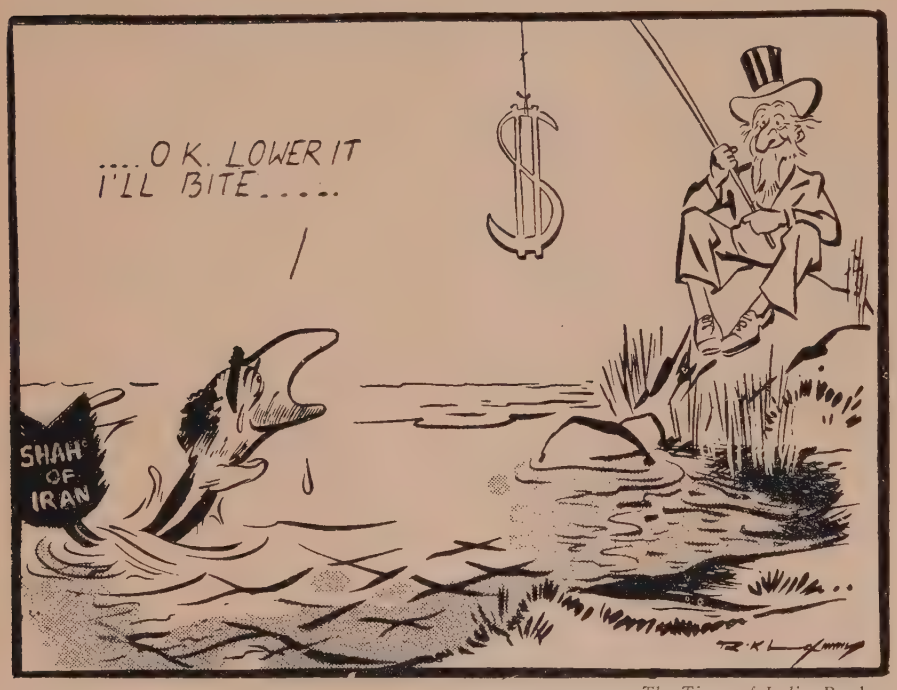
host of Kuomintang officials and their large army, depend upon American bounty."

US popularity also has suffered from the growing attacks on British and neutral shipping bound for China ports by Nationalist war vessels, since the Formosa regime is considered an American dependent.

That Americans, despite Peking's propaganda, are liked by Hong Kong's Chinese masses was proved when the *USS New Jersey* visited here recently.

Officers and men were welcomed ashore enthusiastically. The *Far Eastern Economic Review* commented:

"Local Chinese are keen observers and are likely to have been impressed by the good conduct of the US soldiers and sailors. Peking agents must have been discomfited."



The Times of India, Bombay

Fresh bait in troubled waters

BOMBAY

Frank Moraes reports:

US stock has slumped sharply in India as the result of the barring of this nation from the projected Korean political conference.

The American press has fully reported Nehru's strictures on this action, made to the New Delhi parliament. But it is hard for the US public to understand how completely Indians are united behind the Prime Minister, on this issue.

Indians are proud of the conduct of their custodial troops in Korea under extremely difficult circumstances. Attacks on these troops in some sections of the American press have produced a bitter anti-US reaction.

US support of the election of Nehru's sister, Vijaya Lakshmi Pandit, as UN Assembly President is regarded as an obvious attempt to soothe Indian feelings.

Secretary of Labor Martin Durkin's resignation from the Eisenhower Cabinet also has damaged US popularity. Anti-Americans call it proof that the Administration represents Big Business and has no place for a spokesman of labor.

Certain Indian and Pakistani circles continue to charge that Adlai Stevenson urged independence for Kashmir during his summer visit.

Stevenson has flatly denied this, informing Nehru through the US Embassy in New Delhi that such a solution "did not seem to me realistic."

Nevertheless, Kashmir's new Prime Minister, Bakshi Ghulam Mohammed, in a recent speech accused a "foreign power" of supporting Kashmir independence. His target was undoubtedly the US.

BELGRADE

Eric Bourne reports:

The US-British decision to turn Trieste's Zone A, including the city itself, over to Italy temporarily destroyed US popularity in Yugoslavia.

Angry crowds demonstrated throughout the country, hurling stones through the US Embassy windows in Belgrade.

It was expected, however, that the popular resentment would be of short duration. Last spring Marshal Tito informed British Foreign Secretary Eden he might accept such a solution.

Belgrade also is apprehensive over the influence on US policy of Senator Joseph McCarthy and other powerful US figures, who are accused of wanting to restore the pre-1945 status quo when they talk of "liberating" the Kremlin's European satellites. Vladimir Dedijer, close associate of Marshal Tito, wrote recently in the newspaper *Borba*:

"All these 'liberators' want to impose regimes that the people do not want, and turn the present Russian areas in Europe into hangers-on of the great powers as they were before World War II."

On the other hand, US military aid to Yugoslavia is a good investment for more than military reasons. Not only top officials, but the average soldier and civilian, know it comes from America and are grateful. During the recent maneuvers northeast of Zagreb soldiers repeatedly told me:

"This is American equipment, very good equipment. We are very thankful to have it."

Colonel Sreta Savic, commanding one of the participating divisions, added:

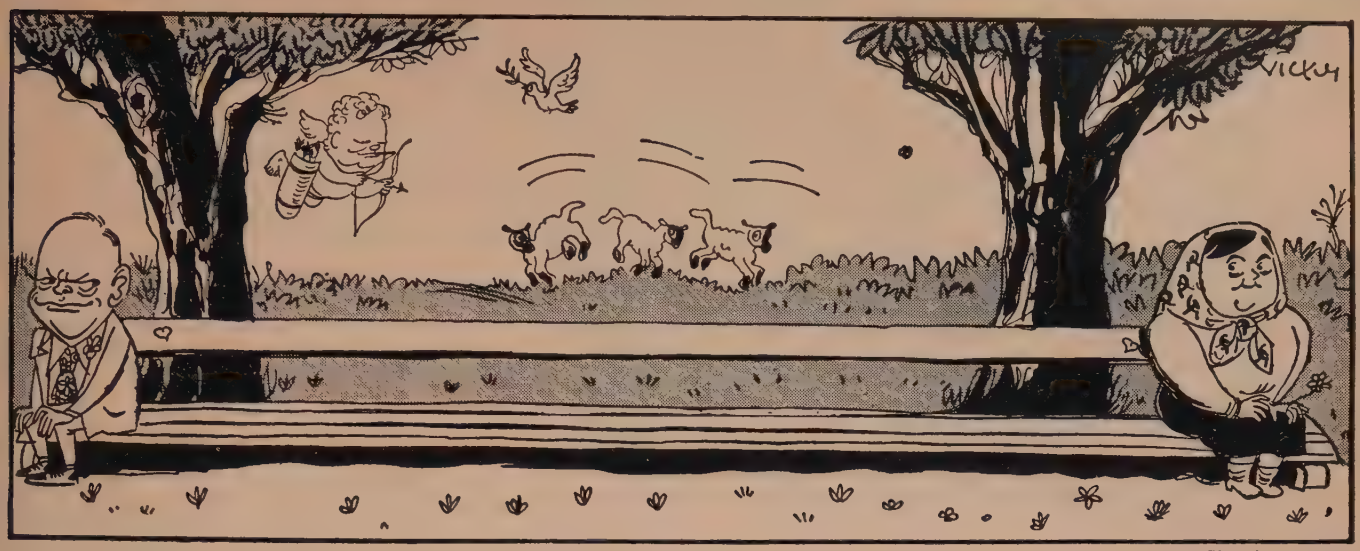
"Almost all the division's equipment is American—tanks, guns and radios—and it has proved extremely satisfactory."

SANTIAGO

Daniel Del Solar reports:

A reported threat by the State Department to bar all US exports to Brazil unless Brazil canceled scheduled ore shipments to Iron Curtain countries has caused US popularity to plummet throughout South America.

The report has provided a field day for Communist propagandists, who



News Chronicle, London

What's keeping them apart?

scream via press and radio that the "US dictates hunger for Latin America," and "If you want to eat, get the State Department's permission."

Its basis is a letter to his government allegedly from the Chilean Ambassador to Brazil, Arnaldo Carrasco. The letter states in part:

> Czechoslovakia initiated confidential negotiations with Brazil to buy 300,000 tons of iron ore at $18.50 (US) per ton, $2.50 more than the US price. The proposition, cut to 100,000 tons, was accepted.
>
> When this contract was almost fulfilled—only 20,000 tons remained to be shipped—Poland offered to buy 50,000 tons at the same price.
>
> Shortly before this contract was to be signed the State Department notified Itamarati [the Brazilian White House] that, if Brazil delivered the 20,000 tons . . . and shipped the 50,000 tons to Poland besides, the US would take measures against Brazil, beginning with the cancellation of all export permits.
>
> Faced with this situation—whose seriousness cannot be ignored—Brazil found it impossible to complete its contract with Czechoslovakia or its negotiations with Poland.
>
> The State Department informed Itamarati that there was no appeal from its decision despite the Brazilian government's pleas based on Brazil's critical dollar situation.

The document's authenticity is vouched for by a French correspondent and a reporter for a government-owned Santiago newspaper, who were permitted to "find it accidentally" on a Finance Ministry desk. Insiders regard the incident as a deliberate "leak."

South Americans assume that the US would adopt the same attitude toward any Latin American nation hoping to export to the Iron Curtain bloc to make up for vanished US purchases and thus avoid economic disaster.

Brazil and Chile would be particularly hard hit, since both face rapidly growing unrest because of the decline in the standard of living.

Chile has 120,000 tons of copper jamming its ports. The US so far has refused to buy this at a price satisfactory to Chile, yet apparently it will not let Chile sell to the Soviet bloc.

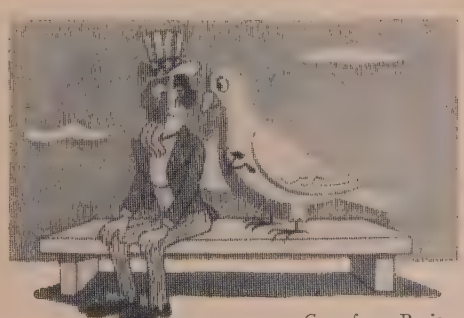
Meanwhile, there is no foreign exchange to buy, for example, sugar or tea, although Chileans are the largest per capita tea drinkers in the world. Naturally, they blame the US.

Brazil must add ore and other marginal exports to its staple, coffee, to buy such essential imports as automobiles, trucks and electrical and railroad equipment.

LONDON

C. F. Melville reports:

The average Briton of all parties dislikes and suspects US policy for three reasons: exclusion of India from the projected Korean conference, continued banning of Communist China from the UN, and the US-Franco pact on bases in Spain.



Carrefour, Paris

"Shoo! I'm not a pigeon!"

Opposition leader Clement Attlee spoke for the rank and file of all parties when he said of the bans on India and Red China:

"This tendency to regard as suspect everybody who is not entirely in agreement with the American point of view is, I think, very dangerous.

"The continued occupation of this [Security Council] seat by the discredited faction of Chiang Kai-shek is an obstacle in progress toward peace."

The Spanish agreement is so universally disliked that it would be politically impossible for any government, Tory or Labor, to welcome it openly.

But the US position is, from the long-range viewpoint, not nearly as unpopular as it seems on the surface.

Neither Churchill, Lord Salisbury (acting Foreign Secretary during Anthony Eden's illness), nor Eden, now returned to duty, are pessimistic over reaching full US-British agreement. They feel, according to Whitehall insiders, that "it's a matter of simply pegging away." Nor do they share the popular view that Secretary of State Dulles is the chief obstacle. He is considered much more flexible and reasonable than America's UN delegate, Henry Cabot Lodge. Whitehall welcomed Dulles' September 18 address admitting the possibility of co-opting neutrals to the Korean conference and the legitimacy of Kremlin concern for Soviet borders.

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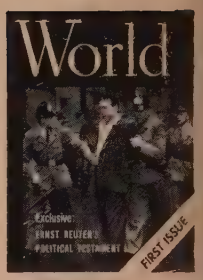

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News & Consequences

THE SEARCH FOR PEACE

Sept. 17 Dulles offers to discuss with USSR "all major causes of present tension"; admits USSR needs assurance against new German aggression, but says EDC will merge German rearmament in "non-aggressive European community"; says US does not want to surround USSR with hostile nations, or export revolution or incite Soviet satellites to violence.

Sept. 19 British Labor leader Attlee blames US errors for "deterioration of world situation"; asks quick UN admission of Red China (on Sept. 15 UN postponed issue of Chinese membership to 1954).

Sept. 21 Vishinsky calls West defense system "aggressive"; offers Reds' 1948 disarmament plan (one-third cut in arms, ban on atomic bombs).

Sept. 23 Nehru charges UN "largely ignores" Asia; urges permanent Asian member (other than Nationalist China) on Security Council, invites Red China to confer on Tibet.

Sept. 25 French UN spokesman Maurice Schumann says West will consider guaranteeing all European borders if USSR stops opposing EDC; suggests USSR, Red China make peace in Indo-China.

Sept. 28 India's Krishna Menon urges Big 4 heads of state meet to "clear the air"; favors declaration of "non-use" of atomic and napalm bombs.

Indo-China rebels reject peace talks with France; prepare big fall drive.

Sept. 29 USSR answers Allied request for 4-power foreign ministers' conference on Germany with a call for 5-power general meeting (with Red China).

Sept. 30 US and Allied spokesmen call Russian answer "evasive, disappointing."

Joint US-French statement that Indo-China rebels will be destroyed; French forces to be increased; US advances extra $385 million in aid.

Oct. 1 After seeing Eisenhower, Adlai Stevenson says US ponders mutual border guarantee with Soviet bloc.

British Labor party condemns Churchill's Tory associates for "sabotaging" his plans for Big 4 heads-of-state conference.

Oct. 5 GOP majority leader Knowland opposes non-aggression guarantee without free elections in satellites; says otherwise it would freeze Soviet tyranny.

Oct. 6 Dulles "considering" non-aggression pact, but favors assurances in specific areas (Korea, Germany, Austria).

Oct. 7 Report that France favors 5-power foreign ministers' conference (with Red China) to deal exclusively with Far East questions (including Indo-China); report denied next day.

Oct. 10 Churchill declares Britain "will persevere" in seeking 4-power conference with Russia at heads-of-state level.

Oct. 15 Dulles starts London talks with Britain, France to try to harmonize West's divergent approaches to peace.

PREDICAMENT: Confusion in the search for peace is explained by the fact that there are as many formulas as there are big powers. Britain still seeks highest-level four-power talks with Russia. US favors an attempt first by foreign ministers to settle specific issues (Germany, Austria, Korea) to West's satisfaction. USSR persistently includes Red China as a fifth big power in any projected talks, a bait tempting to France, where public

demands early peace in Indo-China. India also claims big-power status, against American opposition but with British support and inviting nods from Russia. With Russia hanging back from specific conferences, Allies are urging US to make a new test of the sincerity of Soviet reluctance by offering non-aggression guarantees of Soviet-bloc borders. US, which had shelved its "active liberation" policy (Dulles speech, Sept. 17), is "considering" such guarantees, if not with any serious hope, then as a means of keeping the peace initiative and showing up Soviet insincerity.

KOREA: THE UNEASY TRUCE

Sept. 15 UN rejects admission of Red China to help plan Korean conference.

Sept. 17 Nehru blasts US "immaturity" in excluding India when "nearly all" Asia and Europe wants India present.

Sept. 19 USSR grants North Korea $250 million for heavy-industry reconstruction.

Sept. 22 UN rejects new Chinese proposal that 5 neutrals (India, Indonesia, Burma, Pakistan, USSR) attend conference; US says question of neutrals can be reopened at conference itself.

Sept. 23 Lester Pearson, Canada's foreign minister, says UN forces sent to Korea solely "to help reject aggression, will not support unification by force."

Sept. 24 US unofficially proposes unified, neutralized Korea; otherwise US troops stay indefinitely in South Korea.

Neutral Commission's Indian troops take over 22,500 Chinese, North Korean POWs resisting repatriation.

Sept. 28 Rhee rejects "neutralized Korea" idea, threatens to resume war if conference fails to unify Korea in 90 days.

Sept. 29 Vishinsky says "there is no hope conference will even take place" unless UN agrees to admit neutrals.

UN puts Korean conference membership at bottom of agenda; can bring it up any time by a simple majority vote.

Oct. 1 US signs defense pact with South Korea.

Oct. 2 Anti-Red POWs riot; Indian guards fire on rioters, kill 3.

Oct. 3 South Korea says if "abuses" do not stop in POW camp, ROK Army will drive "pro-Communist" Indians out.

Oct. 7 India asks US to curb South Korean threats against Indian troops.

Oct. 8 US urges Red China to settle time, place of conference, "other questions which may be appropriate."

Red China says unless she is admitted to UN it will be impossible to settle many major Asian questions.

Oct. 10 US informs Neutral Commission that troops will protect it; warns South Korea that any attempt to liberate POWs will be met by force.

Oct. 11 Red China suggests meeting at Panmunjom to discuss conference, including "membership."

Oct. 12 US will meet Reds at Panmunjom Oct. 26; stands firm on limiting conference initially to belligerents.

Oct. 15 Under neutral supervision, Reds begin persuasion of POWs to return home; POWs balk at interviews.

PROGRESS?: Neutral truce machinery started working at last--under US protection from South Korean sabotage--but the future of the political conference provided in the truce terms is uncertain: there has been no agreement on date or members. With Communists using exclusion of Asian neutrals as a stalling point--and as a wedge between US and its UN allies--speculation is that Red China may want a Korean peace settlement now, but Russia does not. Britain has sought to soften the US stand against neutrals, especially India. When US feeler seemed to reopen neutral issue (Oct. 8), Red China promptly bit (Oct. 11), in hope of either a compromise or a fresh debate to keep alive an issue awkward for the US. Possible basis for compromise was reported US willingness to admit a neutral "honest broker"--after basic progress had been made--to adjust final details.

THE SOVIET WORLD: CARROT AND STICK

Sept. 15 New agricultural program laid down by Soviet Communist Party boss, Nikita S. Khrushchev; reveals Russian livestock totals less than in 1916; drastically raises government procurement prices on meat, dairy products to increase 1954 production by one-third; chemical industry to triple fertilizer output by 1959; 6 new ministries formed, including Consumer Goods, Domestic Trade, Agricultural Procurement, State Farms.

Czech regime consolidates ministries (including police, agriculture) into smaller Cabinet, presidium.

Foreign Minister Manuilsky, 3 vice-premiers of Soviet Ukraine ousted.

Sept. 22 Catholic Bishop Kaczmarek of Kielce, Polish priests and a nun sentenced to long terms for pro-US "espionage."

Soviet Georgia's premier and Communist party chief dismissed.

Sept. 28 Cardinal Wyszynski, Catholic primate of Poland, removed from church offices, confined in monastery.

Oct. 6 Polish police arrest, isolate Catholic Bishop Baraniak of Gniezno.

TREND: Purge of high Soviet officials goes on in chronically restive Ukraine and Georgia, homeland of Stalin and Beria. New farm program is consumer-oriented, depends on price incentives, not discipline alone, to raise food production. Satellites are reneging--at least temporarily--on similar concessions granted last summer, while Poland has launched a major drive to break the remaining independence of the Catholic Church.

MIDDLE EAST MOVES

Sept. 15 Paris approves reforms imposed in Morocco; 14-man high command of Moroccan Nationalists (Istiqlal) arrested.

Sept. 21 Egyptian Army arrests two ex-premiers, Mustafa Nahas (head of Wafd party) and Ibrahim Hadi, for "conspiracy."

Sept. 25 Israel ignores UN order not to dig canal in truce zone; Syria cancels army leaves.

Reds in Iran air force sabotage planes used to scout pro-Mossadegh tribes.

Sept. 28 Semi-official Egyptian report Suez pact with Britain "as good as signed"; terms: withdrawal of British troops, British technicians to remain for a time to be agreed upon, British to return in case of attack on any Arab state (excluding Iran, Turkey).

Oct. 1 Egyptian Army convicts former Premier Hadi; accuses him of past attacks on Moslem Brotherhood (now Army's ally).

Oct. 8 British spokesman Lord Salisbury says if accord not reached, Britain will remain in Suez in defiance of Egypt.

In Teheran, pro-Mossadegh student and bazaar strike is quickly suppressed.

Oct. 9 UN's Asia-Africa bloc demands France grant Moroccan independence within 5 years; France boycotts debate.

Oct. 12 Iranian Premier Zahedi "is ready to arrange return of Iran's oil to world markets," resume relations with Britain.

IMPORTANCE TO THE WEST: Four old disputes have been blocking cooperation between West and the Arab Middle East: British control of Suez, Iran's seizure of British oil, French suppression of Moslem nationalism in North Africa, and Israel. Two disputes now appear on the way to solution: Egypt is haggling with Britain over the final details of a Suez compromise (main issue outstanding is tenure and status of British technicians), at the same time clearing the domestic scene by arresting some extremists, placating others. Iran's new regime is also attempting to suppress pro-Mossadegh and Red extremists while edging into new oil talks with Britain.

EUROPEAN DEFENSE

Sept. 16 Britain guarantees France that British troops will not leave Continent without consulting EDC (European Army).

Sept. 22 Council of Europe's assembly urges members to ratify EDC treaty quickly.

Sept. 26 Premier Laniel says France will ratify EDC only after settling Saar dispute with Germany.

US signs unilateral defense pact with Spain, gives $226 million in aid; gets use of 5 Spanish ports, air bases.

Sept. 27 French Socialist leader Guy Mollet pledges support of EDC with (1) British guarantee, (2) supra-national European political authority.

Sept. 29 West Berlin's Mayor Ernst Reuter, leader of united resistance to Reds, dies.

After election gains, Danish Socialists form Cabinet; new Premier Hans Hedtoft supports NATO, opposes US bases in Denmark "at this time."

Oct. 6 Italy's Premier Pella wins confidence vote on NATO-based foreign policy; says solution of Trieste dispute with Yugoslavia would "greatly facilitate" ratification of EDC.

Oct. 7 At 6-power Rome conference on political unification of West Europe, France accepts supra-national executive.

Oct. 8 US, Britain to withdraw troops from Trieste, turn Zone A (including city) over to Italy; anti-allied demonstrations, riots sweep Yugoslavia.

Oct. 10 Churchill warns France that if EDC is not ratified, NATO must make "some new arrangement" to rearm Germany.

Oct. 12 Yugoslavia calls for conference on Trieste with Italy, the US, Britain; threatens to repel as "aggressors" any Italian troops entering Zone A.

Oct. 15 USSR asks UN Security Council to set up the independent Free Territory of Trieste agreed upon by UN in 1947.

CRUX OF TRIESTE: US withdrawal from Trieste's Zone A was intended to strengthen Premier Pella's hand in getting Italian ratification of EDC, bolstering European defense. The resulting Yugoslav explosion, however, left a temporary hole in the Mediterranean coast defense arc, right at its vital Adriatic hinge. Now Italy (eastern anchor man for EDC) was even farther apart from Tito (western anchor man for the Balkan alliance of Yugoslavia, Greece, Turkey). Yugoslavia was more amenable to eventual division of Trieste with Italy than first outbursts indicated. Yugoslavia deeply suspects her natural economic partner Italy has further ambitions along the Dalmatian coast and in Albania. Main purpose of Yugoslav defiance was to gain US guarantees against any future extension of Italian influence in the Balkans--incidentally leaving Tito as champion of Balkan interests against unpopular Italians.

TROUBLE SPOTS

Sept. 27 Japan's Premier Yoshida urges build-up, legalizing of "self-defense" force (outlawed by "no-war" constitution); backed by conservative Progressive party, second largest in Diet.

Oct. 1 India bows to "regionalism," sets up Telugu-speaking part of Madras as separate state of Andhra (Reds are largest party in new state).

Oct. 6 Britain suspends new constitution of British Guiana (South America); ousts 6 cabinet ministers charged with plotting a Red regime; leftists call general strike. (See page 30.)

Oct. 14 Burma launches biggest air raid against Chinese Nationalist guerrillas; Nationalist Gen. Li Mi says raids have caused 1,350 casualties since Sept. 20.

Oct. 15 Indonesian troops retreat in Sumatra after outbreak by Darul Islam, Moslem fanatics now in control of west Java; tension mounting between all Moslems and Red-supported Cabinet.

Washington World

Dulles' Brave New Policy

The next few months will witness the coming of age of a new American foreign policy. Its dual basis will be firmness and confidence on the one hand, and on the other, readiness to talk if the Russians really want to. Thus, if the Soviet September 29 proposal for a five-power conference springs from a genuine desire to lessen international tensions, and was not merely another evasive and dilatory cold war gesture, the way may be opening up for East-West agreement.

The new policy, arising from the idea that the Soviet Union perhaps does want real security guarantees for its European borders, emerged on the Washington horizon in late summer, although it did not, of course, originate there. It was first advocated by certain German rightist circles last spring. Next, most conspicuously, it received splendid expression from Sir Winston Churchill on May 11—the offer of a sort of Locarno pact, and recognition that were Russia given a sense of security, she might be satisfied with a Poland friendly but no longer a puppet. Konrad Adenauer later voiced the same thought.

But the weight and importance of the idea were infinitely multiplied when Secretary of State John Foster Dulles gave it support in his United Nations speech of September 17, to be strongly echoed by the French a week and a half later. The alignment of the United States with its Western partners transformed a few individual statements by individual statesmen into a vitally new and significant Western attitude toward the USSR.

To be sure, Dulles did not go all out. He was not even emphatic. But he said, "The Russian people . . . expect, and they are entitled to, assurances against a repetition" of German aggression. He bespoke our understanding of Russia's desire to have friendly neighbors, disavowed any US wish to see Russia "encircled by hostile peoples," and turning his back on militant "liberation" of the satellites, asserted that "our creed does not call for exporting revolution and inciting others to violence."

Why did Dulles adopt this idea, which may well mean that an American can make peace?

Part of the answer is provided by bracketing the event in time. In mid-July, the US Secretary of State, during the meeting with the Foreign Ministers of France and Britain, found it at least tactically necessary to resist the pressure for negotiation with the Russians. Deeds, not words, was still the slogan.

The two great events between that meeting and Dulles' speech were the Soviet announcement of the successful explosion of a hydrogen bomb and Adenauer's victory in the German elections. One awakened Washington to a frightful awareness of how close our civilization was to the possibility of utter destruction; the other saw Dulles strengthened because of the success of his courageous gamble in declaring for Adenauer.

These two elements combined to create in the Administration a sobering realization that something had to be done, and in Dulles a new sense of power and confidence in himself as the man who might do it. By September, Dulles could see that things were going his way. The Korean truce, the establishment of a stable, friendly government in Iran, the promise of settlement of Anglo-Egyptian difficulties, a new direction in Indo-China, the imminence of an accord with Spain on military bases, Adenauer's victory and the brightening promise for a European Defense Community — these events stiffened his spine and emboldened him to try to stiffen the spine of the West.

Adenauer: A New Saint for the West

Perhaps even more important, Dulles now knew where he stood with President Eisenhower. Until late summer, every time he made a move he looked over his shoulder to see the expression on the President's face. His talk with Eisenhower in Denver on the eve of the German elections gave him a sense of permanence in office, of being foreign secretary in his own right. Reports that he was dressed down are bosh. And important also, with this new sense of being solid with the boss, he could be less concerned about potential extremist critics in Congress.

The evolution did not proceed at a fixed rate. His great and bold American Legion speech on September 2 was the unveiling of the new Dulles. By September 17, though, he was more than airborne, and more than just soloing. Now it was acrobatics, and combat fitness. You can scan the map of the world and find no situation where Dulles has not acted boldly and strongly—nor any place where the door is closed to the Soviet diplomats.

The Secretary of State has made an inventory of the points of tension between the West and the USSR. Since Soviet intentions are still an enigma, he has moved to reinforce the position of the US and the West at every potential danger spot. At the same time he has indicated a willingness to negotiate. He has always had the intellectual capacity for this kind of diplomacy. Now, increasingly, he has strength behind him and the self-confidence to use it.

He has said in effect to the Soviet

Union, "Oh, so you say it's security that's bothering you? Well, if that's your trouble, we can fix you up in five minutes."

The proposal to offer the Russians security is the ultimate application of the diplomatic litmus-paper test. If that is what they are worried about, the proposal points toward solution. But if they do not respond, it will mean that security against aggression is not their first concern. Then the West can reach only one conclusion: the Soviet Union does not want peaceful coexistence and will attempt world domination whenever it thinks it can get away with it. Therefore, we shall no longer have only a cold war of indefinite duration to plan for; we can expect a red-hot war.

But at least we—and Dulles—will know where we stand.

Red China: The Great Divide

Ten pounds of tea leaves would not give an accurate reading at this time as to the chances of finding a solution in Korea and proceeding from there to a solution in Asia. One thing, however, is obvious to the insider and invisible to the outsider. There has got to be—and is going to be—a terrific explosion inside the government over our China policy. It will be an ugly business, and it could end disastrously for the country.

What is not generally realized is the existence of a Pentagon-Congressional-State Department axis of thought which believes that Communist China must be destroyed. Put another, less spectacular way, the idea is that if Communist China is permitted to develop economically and industrially—and therefore militarily—the end result will be the communization of Asia. In strategic terms, this means that America's line of defense would have to withdraw thousands of miles eastward from the island arc (Aleutians to Australia, really) where it now rests, to the Pacific Coast.

What is proposed by this axis has probably never before been tried in the history of nations. It is to chain Communist China to a rock, not to be picked at by vultures until it dies, not to starve to death, but to be kept in such a state of debility that it will one day fall an easy victim to Chiang's "better" regime. The theory is that Communist China cannot develop except through substantial imports from the West, and the projected blockade would be of a sufficient intensity to deny this vital Western aid. The coup de grace then would be administered by assault on the mainland.

Among the personalities of the axis who propose it one can confidently name Senators McCarthy and Knowland on Capitol Hill; Admiral Radford, chairman of the Joint Chiefs of Staff; and Walter Robertson, Assistant Secretary of State for Far Eastern Affairs.

Where Dulles will fit in or refuse to fit in cannot be foreseen. The splitting of the Russo-Chinese power mass is one of his commendable objectives. Whether the attempt to deny the means of existence to a huge nation would be acceptable to the Secretary of State is a momentous but unanswered question.

Congress, Nehru, and Rhee

Anti-Indian sentiment, brought to white heat by the shooting of anti-Communist war prisoners in Indian custody and the alleged pro-Communist arrangements under which such prisoners are to be interviewed, may be expected to erupt in Congress.

This will greatly increase the difficulties of the Administration's diplomats, eager to retain India's friendship and to use New Delhi's "neutrality" in seeking a general Far Eastern settlement if, as and when the Korean situation is stabilized.

While the State Department and the White House more or less understand Nehru's difficult position between East and West, and the pressures he labors under domestically, such an attitude is becoming rarer and rarer on Capitol Hill. Increasingly, Senators and Representatives, chafing under Nehru's strictures on US policy and the barring of India from the projected Korean conference, call him no neutral, but a Communist sympathizer.

These developments are strengthening the position of Syngman Rhee, and the intransigent South Korean President has never lacked powerful supporters in Congress.

This will further hamper the Administration, since the stronger Rhee is, the less freedom of action the US government has in the delicate Far Eastern situation and in the equally delicate relations with our allies.

Complicating the situation is the fact that up to this time no other possible ROK leader has emerged, so that it is Rhee or no one for the US.

Mending the Western Fences

Paradoxically, our Western partners, as a direct consequence of the military and economic aid we have given them, have become so strong that they no longer feel much urgency about ratifying the European Defense Community. We are making strenuous efforts to persuade them to end the stalemate on EDC.

Dulles' speech at the UN was a major public attempt to tell our allies that we really don't want to make trouble. Having irritated various nations by the belligerence of his American Legion speech, Dulles was now at pains to say that he did not want to irritate anyone.

The inner judgment at the State Department is that Dulles did not cause as much trouble as the reports indicated. He is a professional, and his fellow professionals know what he is doing. One dependable source, for example, says that Sir Roger Makins, British Ambassador here, is regularly reporting to his government that Dulles is the best practicing foreign secretary in the business today. Foreign offices have to act pained when Dulles seems to be bulling around the international china shop. But foreign secretaries, and others in the trade, know that they and the American Secretary of State would be no good if they did not make themselves terribly unpopular abroad. This is related to what is known as fostering a nation's "enlightened self-interest."

The good diplomat cannot be popular, nor can he expect others always to be friendly. Nehru (a diplomat ex-officio) is a case in point. There has been a tremendous to-do about India's participation in a Korean peace conference. Dulles has in his desk a message from Nehru saying that India could best serve the public weal by

staying outside the conference. He also has the text of a Nehru speech blasting the US position against Indian participation, at least in the initial stages. In such circumstances, Dulles does the logical thing (which is not automatic in Secretaries of State). He comes up with the idea of a two-stage conference, not including India at first, perhaps including her later after strictly Korean matters have been dealt with. He thus has the best of both possible Nehrus—and so does Nehru.

In respect to the European Defense Community, Dulles has been moving strongly. Indirectly, additional aid to Indo-China would free French troops for Continental assignment and therefore make the French feel better about a nascent German force. Dulles has had a hand in generating new British assurances of military support for EDC. His invitation to Premier Laniel to visit Washington is part of the same pattern. And of course the idea of guarantees to the Soviets—and perhaps the ultimate inclusion of Russia in an all-European economic and military system—is in itself helpful to the EDC concept.

Trade, Aid, Or Wait?

There is one thing the rest of the world may well be discouraged about, and that is America's international trade policy. At the core of the Administration it is realized that nothing can be done about it until after the 1954 elections.

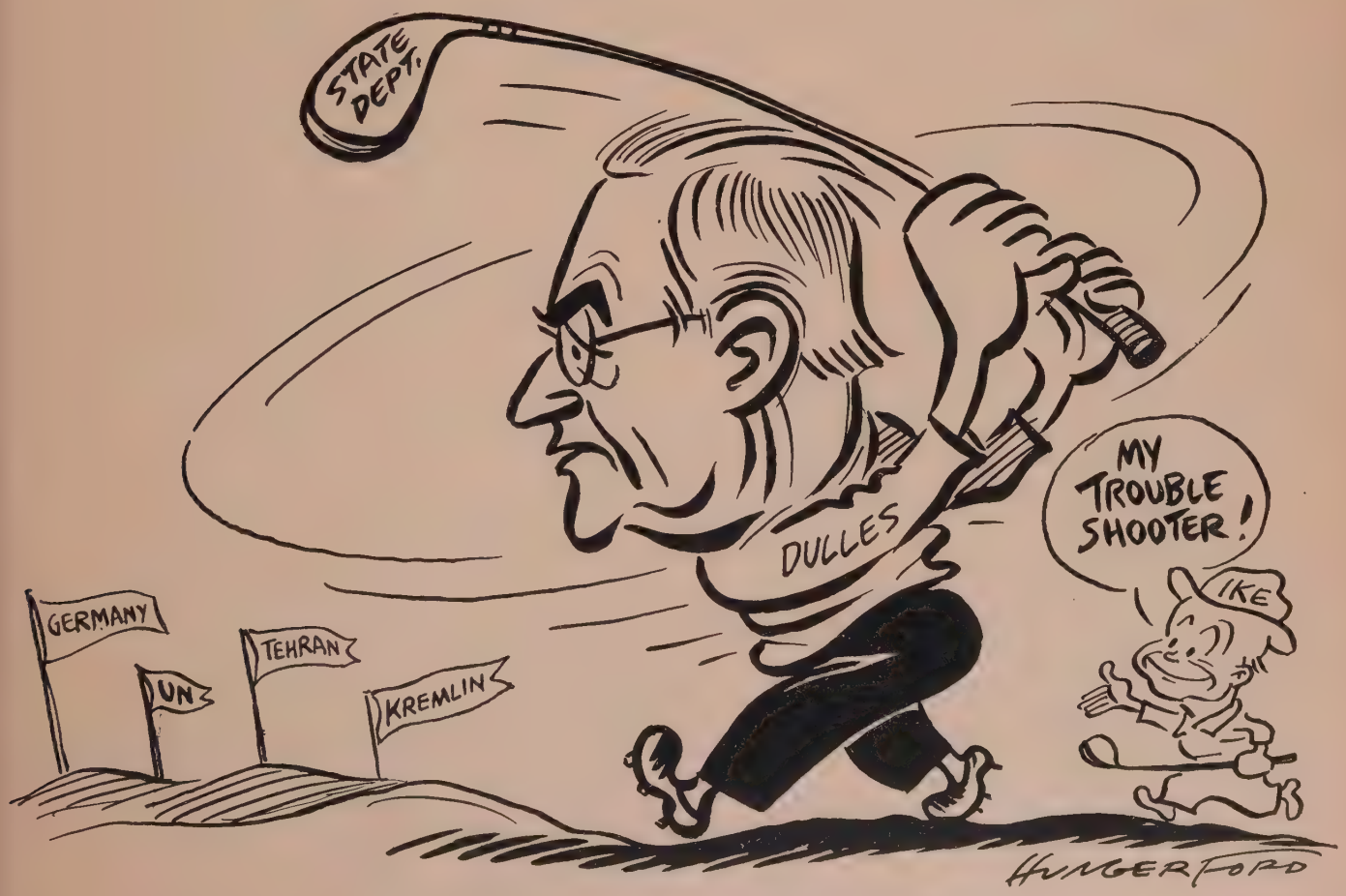
While it is polite to speak of the fact that the Randall Commission (comprising House and Senate members and other Presidential nominees) will make its recommendations on trade and tariffs next year, it is not realistic to expect they will be acted on in the next session of Congress.

This does not mean that US trade policy is going to get any worse. What it does mean is that our economic relationships with our debtors are not going to get any better right away.

The recent Washington meetings of the World Bank and International Monetary Fund provided almost poignant evidence of how eagerly the economic officials of other countries are waiting for the United States to assume its role as a creditor nation. A host of glowing possibilities, topped by currency convertibility, are deemed to depend on our doing that.

But wise finance ministers abroad must realize that after the Randall Commission there is Congress, and that Congress cannot deal properly with the commission's recommendations until elections are out of the way. Too many other things are pending which in an election year are more "sexy," as the saying goes around here. Taxes, budget, labor relations, farm supports, social security, and so on and so on. International trade policy is at the bottom of the list.

The encouraging side of this report, however, is that the Administration does intend to accomplish something in this field before the next Presidential election, and there are signs it is heading toward a real liberalization. The question is: Can the world wait?



WORLD Drawing

United Nations World

Vishinsky's Current Game

The USSR's strategy at the United Nations these days is quite simple. The Soviet rulers know that they cannot push through resolutions to adoption; that on roll call after roll call they will be defeated. And they probably don't much care. Their gambit is to create distrust and dissension within the Western camp along the following lines:

To persuade Asian nations that the US regards them as second class members of the world community.

To convince Europeans that the US is in the grip of a jingoism that will lead to war.

To play the role of rebuffed advocate of negotiations.

To foster the spirit of neutralism.

As long as that gambit works, the Russians are not very much interested in the totals of Assembly roll calls.

To an alarming degree, it has been working. In India the resentment against the successful United States campaign to keep the Indians away from the Korean peace conference is deep and sharp and has been expressed publicly by the Prime Minister, Jawaharlal Nehru. The US won that roll call, but only because of the support of seventeen Latin American countries. Voting against the US or sitting on the abstainers' fence, were most of our European allies.

It doesn't take much of a mindreader to realize that Andrei Vishinsky and his friends and masters were happier to lose that roll call than they would have been to win it.

It all adds up to the fact that the United States watchwords — caution, preparedness, caution—have little emotional appeal to millions of Asians and Europeans. It is a lot easier to be a Vishinsky talking about digging tunnels of friendship than it is to be a Dulles telling the world to make sure what is at the other end of the tunnel before crawling in.

Western diplomats may be resigned to the fact that the Soviet cooing will sound enticing to many. But they are worried by the fact that the Western alliance itself has shown signs of losing some of its essential cohesion under political pressure.

The fight over Indian participation at the last Assembly session quite obviously frightened Western delegates. When the new one opened, an overt campaign was started—a campaign to keep disagreements private, to prevent them from sharpening, to put on a strong appearance of unity.

The importance of that unity will grow as the weeks pass by without the convening of a Korean peace conference. The Soviet world knows that the longer the conference is delayed, the nearer the day when President Syngman Rhee of South Korea will kick over the traces. And the Soviet world knows that if Rhee orders an attack, the pressures for disunity in the West will be greater than at any time since the end of World War II.

Politics vs. Diplomacy

It is considerably more difficult to find out what the US is after at the United Nations than it is to ascertain Soviet objectives. The reason is not that the United States has no UN policy, but that it has two policies. One is aimed inward toward the American public; the other is directed outward toward our friends and allies, actual and potential. And as often as not they conflict.

The United States delegation—the entire Administration, as a matter of fact—is doing its best to remove American fears that the United Nations is a place where our interests are traded away, where our allies gang up on us, where Soviet propaganda is the propaganda that gets across.

To do that, the US first of all has to try to give the impression that never, never is it making any concessions. Even where we were prepared to unfreeze our position—as when we indicated that we would be willing to reopen the question of the composition of the Korean conference at the conference itself—we were stoutly proclaiming that this concession was no concession at all. To foreign diplomats, schooled in the belief that a country willing to concede a point—not appease but concede—gains international credit, the American exercise in self-denial was an astonishing spectacle.

Then, too, the United States has had to do a certain amount of tough talking for domestic consumption. Its delegation has adopted the policy of trying to hit back at a Soviet speech hard and fast—preferably the same day. On a technical propaganda level this is clever operating. It prevents the Soviet Union from grabbing all the headlines and gives the impression that the US delegation is in there punching.

That's all right for policy No. 1 but it doesn't fit in with policy No. 2.

It doesn't fit in because at the same time the United States is making a determined effort to hammer home to Asia, Europe and the Middle East that the US wants peace, that the responsibility for world tensions lies in Moscow. And that requires a certain amount of soft talk, a certain amount of flexibility. It is a fact that Secretary of State Dulles' opening address made a big hit at the UN—and made it because the speech was regarded as moderate and reasonable.

One point in the speech that got a lot of diplomatic attention was the official dumping of the "liberation policy." During the 1952 Presidential campaign some Republicans had said the United States should think in terms of freeing captive lands from Soviet tyranny. That frightened many Western statesmen and convinced those always ready to think the worst of this country that we really did have war in the back of our minds.

Dulles told the Assembly that the United States was not in the business of exporting revolution, a statement that pleased our allies. As a matter of fact, a corollary of that line has become the West's theme at the Assembly: assurances that the Western alliance presents no threat to the military security of the Soviet Union and its bloc of satellites.

But stripped of all the talk—soft or tough—our policy as seen from the UN

remains essentially what it was under the Democrats: contain; hold the line of Western solidarity; build up a position of strength from which the West can look at the East and see if any negotiating can be done.

It is not an easy policy to carry out. There is no room for the grandiose, sweeping proposals of the Soviet bloc: "abolish the atomic bomb"; "cut all armed forces one-third." It is a devilish job, too, to maintain unity when some of our allies are colonial powers and some of them are bitterly anti-colonial, newly independent nations. Our diplomats earn their money.

Why Latins Vote with the US

It is no secret at the UN that the United States knows that when the voting chips are down it usually is the south-of-the-border ballots that decide the result. Nor is it a secret that the US keeps a sharp eye on how the Latins are planning to vote and, if there is any doubt, puts in a word, not to the delegates, but where it counts—in their foreign offices.

It used to be that the United States could depend on ringing up those twenty votes almost automatically on any and every issue. It isn't quite like that any more. On two huge issues the Latins are beginning to cast their votes in a different column from that of the United States: colonialism and economic development. More and more the Latins are supporting the complaints of the non-self-governed—on the technical problems of trusteeship administration, on the political problems of North Africa. Latin American delegates say the reasons are: the mixtures of races in their own countries, the South American tradition of rebellion against the mother country, the stand against colonialism taken by the Latin American states in Bogotá five years ago.

On economic affairs the pocketbook speaks. Primarily the Latin Americans are producers of raw materials. They feel that they have not been getting a fair deal on prices, that price levels of raw materials—sugar in Cuba, coffee in Brazil, copper in Chile—have been set by the industrial countries, and set too low.

The Latins have other economic differences with the United States, often reflected in UN debates. They complain that the US is spending too much money on European and Middle Eastern development, and not enough on Latin America.

WORLD Drawing

Syngman Rhee and Nam Il Sung: "My father can lick your father!"

When all that is said, however, the fact remains that on important political matters and on elections to UN bodies the United States can count on the comforting realization of Latin American support. And this despite all the economic-based gripes against Washington, the chronic inferiority complex, the anti-gringoism. Latin America comes through, and this is why:

On matters involving the East-West struggle, Latin Americans usually need no urging. With the exception of Guatemala, there is not a single fellow-traveling government in Latin America. The influence of Vicente Toledano's once powerful leftist Confederation of Workers is slipping.

But how about political questions where they do not see eye to eye with the United States and yet wind up voting the same way? Latin Americans, caught in a confidential mood, say the reason is that a good many of their native lands are, to put it bluntly, dependent on loans from Washington. Nobody says anything as crude as: no vote, no loan. But, the Latins say, some governments are so unstable, so much in debt, that they cannot afford to take the chance of a loan's not coming through on time.

In their disgruntled moods some Latin Americans also say the trouble is that they have no real bargaining power with the United States. Asians and Middle Easterners can use obvious blackmail by looking in the direction of Moscow. Latin Americans, intensely Catholic, intensely anti-Communist, sometimes pay the political penalty of being just too safe.

Jobs and Loyalties

It happened one day that a madman got loose on the thirty-eighth floor of the UN skyscraper, the Secretary General's floor. He screamed that he had been divinely appointed to be a Secretary General of the United Nations. He was still screaming it when he was taken to Bellevue's psychiatric ward. The next day a British news agency carried a terse little paragraph saying that the man was improving and therefore no longer wanted to be Secretary General of the UN.

A lot of nice things go with the job, no doubt about it: huge prestige, a good salary, a big Cadillac, newspaper headlines. But there are drawbacks, and one of the more unpleasant of these centers on the question of patronage.

United Nations jobs are supposed to be divided roughly according to geography—a fancy way of saying that every country is entitled to a piece of the pie. Professional qualifications help, but nobody at the UN is so naive as not to know that it does a job applicant no harm if his delegate drops a word or two into the ear of a high staff official.

Patronage, of course, is a year-round phenomenon. But Dag Hammarskjoeld, the new chief of the UN staff, is facing an especially heavy patronage season. In February the contracts of all his chief aides—the assistant secretaries general—expire. Some of the big directorships also are expected to become vacant. This means that a lot of juicy jobs will be available, and delegations have not been shy about putting in bids for them.

Among the countries that have shown an interest in some of the top UN jobs is the United States. There is nothing underhand or illegal about it, because the big UN jobs are supposed to be filled on a political basis. But what is new is that for the first time since the UN started, a Republican administration will have a crack at them. It has been reported at the UN that Republican representatives already have had some talks on the subject with Hammarskjoeld.

Some American Congressmen, incidentally, seem to be waking up to the fact that the UN provides an answer to the job demands of constituents that always plague Senators and Representatives. What with all the loyalty firings, the United States quota is at an all-time low. And so more than one Congressman has made it known that if there are any jobs open, he knows just the man back in his own home town. Like anywhere else, the chances of getting a job at the UN are better for a qualified applicant with a nice, warm Congressional letter in his pocket than they are for the man without one.

But job-filling is not the biggest of Hammarskjoeld's staff headaches. The one that will come to migraine pitch at the current session is an old one: loyalty.

The Assembly will have to deal with all the problems that grew out of UN firings of American citizens accused of subversive activities. The United States will fight hard against paying indemnities to eleven of the dismissed persons whose dismissals were overruled by the Administrative Tribunal. Delegates hate to think what Congress will do to UN appropriations if the Assembly votes the scheduled indemnities.

Longer-range, there is the problem of making sure that controversies over loyalty do not recur. Many UN delegations think that we have been too heavy-handed, that we have disregarded the principles in the Charter freeing UN staff members from national pressures. At the same time, Hammarskjoeld knows that if the American public comes to believe the UN is "soft" toward Communists the world organization will lose the public's support.

For months, Hammarskjoeld and his top aides have been working on the problem. They have come up with this plan: all forms of political activity except voting will be prohibited for staff workers. It will be up to the Secretary General to decide when a staff member has overstepped the bounds; his word will be final.

Hammarskjoeld has decided that the best policy is to play by ear—avoid laying down hard and fast rules on firings, keep assuring the US that the UN will not harbor subversives, judge each case on its merits. If it sometimes seems that the Secretary General is walking a tightrope, it is because that is exactly what he is doing.

Malenkov Charts His Course

THE ice is breaking in Moscow. The Soviet Union's long-frozen political and social structures have begun to move under the pressure of a crisis which, silently and inexorably, has been building up behind the façade of Stalin's legend in the "Immortal One's" last years. Today there is curiosity in the air, and expectation. The Kremlin is coming to grips with basic problems.

"History," said Malenkov himself not long ago, "does not develop according to the instructions of those who would like . . . to impose upon mankind its yesterday as its tomorrow." The barb was aimed ostensibly at the "reactionary" West. But it also reflected the new Premier's determination to make a fresh start, away from the leaden atmosphere of Stalin's twilight years, when his stubborn insistence on grandiose schemes brought his empire to the verge of disaster.

Behind that fantastic façade of "Stalin, the Sun and the Strength of the Himalayas" crisis and misery were the USSR's true lot. In less than a year cattle herds dropped by 2,200,000; about 1,000,000 cows were slaughtered. The Kremlin was forced to admit that once again thousands of peasants were fleeing the land. Scores of progress reports were denounced as frauds. Overtaxed by the impossible demands of industrialization, the richest satellites of Russia were threatened by famine and revolt. Everything was in flux except the enormous bureaucracy. Like the country, it trembled in anticipation of another orthodox solution through the instrument of an unprecedented purge.

Like good Marxist mystagogues, the new Soviet leaders augur about the future. But, unlike Stalin, they are keenly concerned with the present. In this period of transition, behind the doctrinaire oratory, a new force in Soviet politics can be discerned. Available news and developments so far tend to confirm five basic points:

1. Soviet leadership is not a one-man or two-man affair. The Malenkov-Khrushchev combination is gaining strength, with the Premier in the role of formulator of policy and the First Party Secretary as its executor, acting as chief trouble-shooter and political whip. Behind them, however, are visible the contours of a new middle class, with a strong voice. For example, when Khrushchev presented his grim report on the farm and food crisis to the Central Committee, four days were spent in discussion and deliberation before new directives were adopted. Under Stalin, it never could have happened. Then, when a Politburo member made a report, no further information or discussion was either asked for or allowed.

2. The new middle class which speaks through Malenkov and Khrushchev is the "technical intelligentsia," a true product of the Soviet system. It consists of some fifteen million people who have risen to positions of power as directors of state factories, shops, farms, businesses and services. They have never known large-scale private enterprise. Their spokesmen are from many groups—the "red technocrats" in government, old Party hierarchs, the high command. Their demands are legion.

Basically, the new middle class wants better food, better clothes, more conveniences and the self-respect that comes from stability. Their wants are reflected in the newspapers, which deal these days with questions of better design, fashions, crepes suzettes and electrical gadgets. Malenkov and the "technocrats"—the young engineer-ministers whose careers are the success stories of the USSR—tacitly identify themselves with this new class. Under their leadership there will be no temporary New Economic Policy, as in Lenin's day, no "capitalist islands," no return to private ownership of any means of production.

3. The underprivileged proletariat of the post-Stalin Soviet Union are the peasants in the collectives and the workers on the state farms. Their misery was the hidden cancer of the last phase of the Stalin epoch. Now the government wants to pull them out of the rut in which they labor blindly—but not with the methods of the NEP. No new land is to be added to the peasants' one or one-half acre homesteads. Instead, resourceful, hard-working individuals will be offered an opportunity to earn more by working harder for the collectives or state farms. Premiums and bonuses, jobs with higher wage scales and eventual ascent into the middle class are to be their reward. The "miracle" which is to produce the additional food needed to increase industrial labor productivity is to come through transformation of the *muzhik* into a careerist.

4. China and North Korea, rather than Eastern Europe, are the promised lands for heavy industry. Large-scale installation of Soviet equipment is to integrate both nations technologically and organizationally with the USSR. Chinese manpower will be available to fill the gaping shortages in Soviet industry and works projects. The construction of new enterprises "on Soviet initiative" in China—not foreseen in China's own plans—is heralded by the Sino-Soviet Technical Assistance Agreement of September. These Soviet "initiatives" are unlikely to have been wholly disinterested.

5. The Army, which with the "new middle class" is the second great force in the Soviet Union, is reported to favor the new policy. Defense-minded, intensely patriotic and with its roots in the villages, it approves the new directives for agriculture. Success in recent atom and hydrogen reaction tests has raised the government's prestige in Army eyes, a development further enhanced by the separation of the atom projects from the civilian Police Ministry and their transfer to "technocrat" Colonel General Malyshev. Closer relations with China are also considered a boon by the high command. Chinese manpower is to go to the USSR for technical training.

Against these factors pointing to the growing strength of the new regime must be set some weaknesses. Morale is shaken inside the great structure of the bureaucracy, especially on the outskirts of the empire. In Georgia, native bailiwick of Stalin and Beria, Premiers, Ministers and Party secretaries shuttle between government and prison, alternately hailed by the press as loyal Communists and condemned as slimy traitors. The Baltic republics, oil-rich Azerbaijan and Kazakhstan—the "Texas of the USSR" and its second largest national republic — also are shaken by tremors.

Editorial

The Lonely Country

A study of the international press could easily lead one to the conclusion that the United States is the loneliest nation in the world. We have allies and associates, but we have no friends. Across the face of the earth, from India to Chile, from Japan to England, bitter condemnation of American policies, attitudes and opinions has become sweet music to the ears of untold millions.

Yet if we let these attacks drive us to bitterness or anger, we shall be entirely wrong. For the deeper meaning, the underlying significance of the denunciations is flattering beyond belief. Cacophonous as they may be, these catcalls are a call to greatness. The peoples of the world, in their dire need, want us to be wonderful, infallible, perfect—greater than they themselves have ever been in their own historic hours.

Greatness is not often the lot of humans, either as individuals or as nations. And perhaps its greatest enemy is power. The irresistible urge to use power turns men into Neros, and societies into frenzied aggressors, murderous colonizers. Throughout the centuries it was this compulsion of might which drove whatever nation was supreme at the moment—Rome, Arabia, France, Spain, Austria, England, Germany, Russia—to invasions, wars, "glorious conquests."

To date America has not followed in the footsteps of her predecessors as the world's dominant power. To date America has shown more willingness to cooperate and to persuade, instead of imposing her will through force, than any other nation before her.

Chauvinism ill becomes a foreign-born American. It is not chauvinism but familiarity with history that makes me confident that in the decades and centuries to come, when today's raging controversies are dust, the conduct of the United States will be judged with respect and perhaps with admiration.

It will be seen that the United States was the first of the world's supreme powers which wanted only to hold its own; which conceived of using—however imperfectly—striking new methods in international dealings, such as economic aid on a vast scale or material and intellectual support of underprivileged nations; which dealt honorably with small and weak nations that in the past got nothing but contempt, or worse, from the possessors of great might.

It will then also be seen that there were, historically speaking, unusually large numbers of Americans who made extreme efforts not to be blinded by narrow national interests and longed to give their allegiance to universal well-being, to universal truths.

All this, other nations may reply, is only as it should be. Aren't we living in the second half of the twentieth century, in a new era, with a new international philosophy? Haven't we all rejected the barbarous tenets of the fifty previous centuries?

The distinction, however, is this. Poor people live in the future, the hope of something better. Rich people live in the past, the source of their security and wealth. Even so with nations. Those who are weak today can easily forswear and condemn the prerogatives of their past might—intolerance, arrogance, selfishness—and cherish a different ideal.

Inevitably, it is the American who is subjected to the traditional psychological pull, the devilish temptations of strength. It is he who is hardest put to renounce the heady use of power and accept instead more sober and untried methods in his dealings with enemies and friends.

For this overwhelming psychological reason America's future course—a course that will either confirm or vitiate the beginnings of a modern and constructive world policy—does not depend on the prodding of friend or foe. In her painful quest for a tolerably fair and safe international community the final answer will be delivered by our collective conscience—a force which the world knows only hazily and therefore often dreads.

The world knows only that this collective conscience (Freudians would say collective unconscious) has always been marked by two extremes. An almost religious messianism on the one hand and a rough readiness to come to grips with any opponent on the other. Watching the daily manifestations of the latter, the world is too prone to believe that the first has lost its fervor and its power.

One must live in America to know that this is not and can never be the case. True, excitable extroverts find more favorable soil in this country than anywhere else in the world. But the whole history of America, exemplified by the characters of its greatest Presidents, also shows that our greatest decisions have been based on a balance of these two basic national ingredients. The chances are that the overwhelming challenge of the hour is right now precipitating this vital process. The chances are that through dissension and criticism and strife this nation is bungling into true greatness.

Norman Cousins

Editor

Seven Lively Virtues of the American Economy Explain

WHY DEPRESSION IS NOT AROUND THE CORNER

By ELLIOTT HAYNES and MARK STROOCK

AMERICAN businessmen and prophets of the US economy who anticipate a depression may be falling into the same trap as Stalin's economic experts who predicted the collapse of US industry after the war—a prophecy some of them lived to regret.

Our home-grown pessimists have failed to grasp that the American economic system has become a new kind of mechanism which generates most of its own power. Today it can safely rise above once ominous signs of a decline such as a slump in farm income or a drop in auto sales.

This dramatic development—which has escaped the attention of too many observers—is based mainly on seven modern virtues of the American economy.

VIRTUE 1 The first of these virtues is the present rate of population growth—the swiftest in our history. Were there a Kinsey curve for nations, Uncle Sam would have knocked it into a cocked hat. In 1935 we were producing 16.9 babies per thousand population (accepting the statistical monstrosity of fractional babies); today we are turning out more than 23 per thousand. Infant mortality has been slashed and longevity has increased. The result is a dynamic, growing society: when the "census clock" at the Department of Commerce registered 160 million this summer, an official full of parental pride told newsmen that the population would reach 175 million by 1960.

These bouncing figures are one answer to the specter of overproduction and the fear that the rate of investment for future production will slow up drastically and precipitate a slump.

In fact, the opposite appears true. Our swelling population will make increasingly heavy demands on the economy for food, clothing, houses, cars and the bewildering variety of material comforts and conveniences required by a hard-working, zestful people.

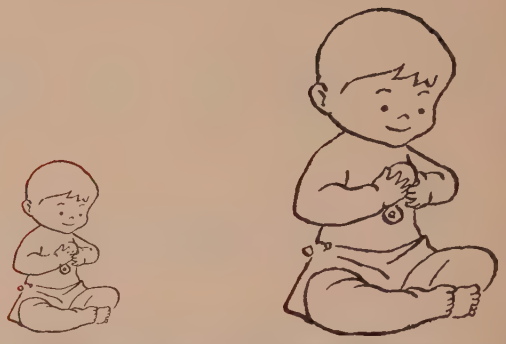
This points up the need for greater future production (and capacity to produce) at a time when even the present population has outgrown the economy. To meet growing demands, construction in the US this year will climb to an all-time high of nearly $35 billion ($2 billion over last year's record), mainly for housing, schools, highways, utility construction and commercial building. In the next four years almost $4 billion will be spent on expanding the natural gas industry, $14 billion in the next three to increase the generating capacity of the electric power industry. As one authority put it, "The world of the future will be more concerned over shortages than surpluses."

VIRTUE 2 The second and greatest virtue of the US economy means that our growing numbers will have an *effective* demand for goods and services. One third of the nation will never again be as ill-housed, ill-fed and ill-clothed as it was in the thirties, because that third (as well as the two above it) now has more purchasing power than ever before.

This virtue—the fair sharing of national income among all levels of the population—is uniquely American and it has a direct bearing on the country's continued stability and prosperity. In the past four decades, and particularly since the late thirties, a social revolution has lifted the "forgotten man" of the econ-

7 REASONS WHY THE

1 FASTER POPULATION GROWTH



1929-'53 AVERAGE YEARLY INCREASE 1,174,000

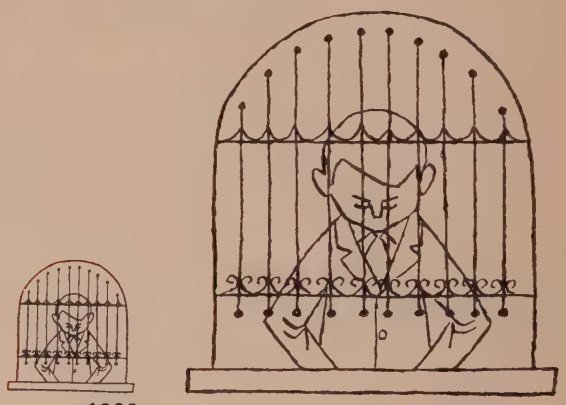
1953-'60 AVERAGE YEARLY INCREASE WILL BE 2,143,000

4 STOCKHOLDER DEBT SLASHED

1929
OWED—$8.5 BILLION

1953
OWES—$1.3 BILLION

5 GUARANTEED INCOME MULTIPLIED



1929
$951 MILLION

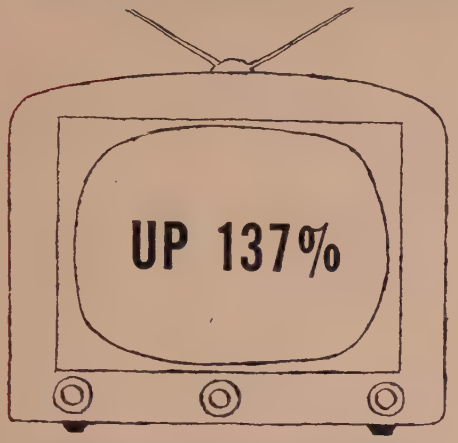
1950
$7.131 BILLION

omy into a decent income bracket. The enormous advances in wealth achieved by the United States in these years went largely into the pockets of the formerly underprivileged. In one decade—between 1939 and 1949—compensation of employees went up 400 per cent. Inequality in personal income was cut in half, with most of this astonishing gain achieved by the bottom third of the population.

The meaning of this "Big Change" is clear. In contrast to 1929, a massive portion of the population is now assured a comfortable existence and (comforting knowledge to businessmen) can continue to buy even in periods of slight recession. It means that the striking eight per cent increase in purchasing power (wages and salaries) of the second quarter of this year over the second quarter of last year went primarily to the groups that will spend it and keep the economy rolling—the lower income groups. It explains this very increase in purchasing power at a time of falling farm income.

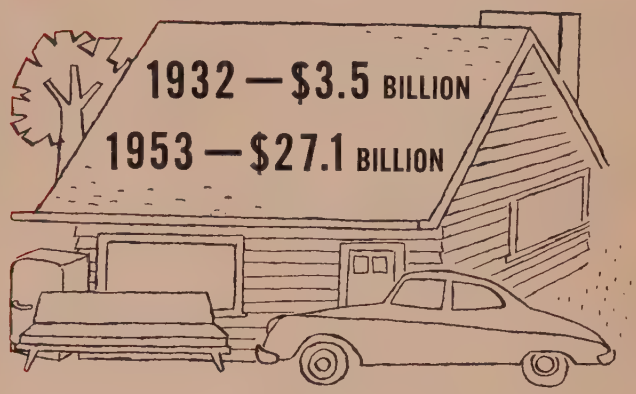
DEPRESSION CAN'T HAPPEN AGAIN

2 BUYING PUBLIC RICHER



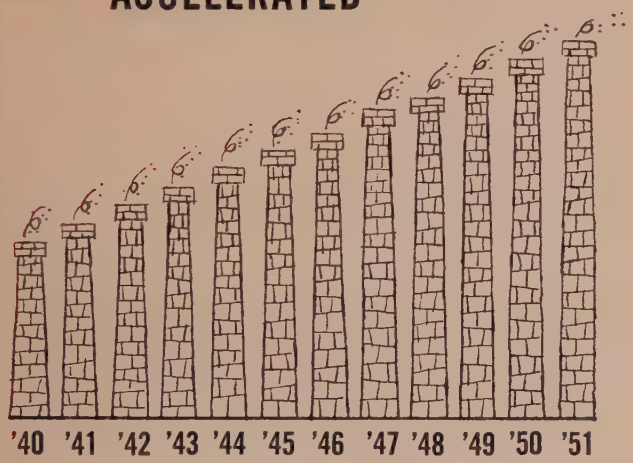
INCREASE IN PER CAPITA INCOME
BOTTOM 95% OF PUBLIC 1929-'48

3 CREDIT USE EXPANDED



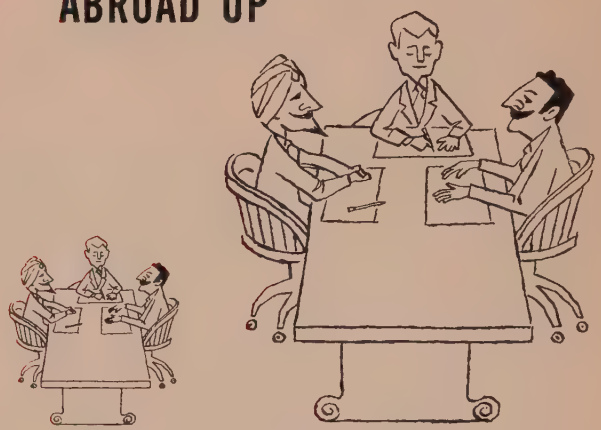
TOTAL CONSUMER CREDIT

6 PRODUCTION GROWTH ACCELERATED



AVERAGE YEARLY INCREASE EQUALS 5%

7 DIRECT INVESTMENT ABROAD UP



1929
$7.5 BILLION

1953
$13.2 BILLION

WORLD Chart

VIRTUE 3 A third virtue, the modern, intelligent use of credit, guarantees the continued purchase by Americans of goods which even this increase in their buying power would not of itself permit. These goods—houses, refrigerators, automobiles and other "durables"—comprise a vital chunk of US business. Should their sales fall off radically, all of us would be in trouble. (Car manufacturers, for example, use 20 per cent of US steel production, 70 per cent of its glass and 70 per cent of its rubber.) Yet it is practically impossible for the average American to lay cash on the barrelhead for most of these durable goods.

Our advances in the use of credit to keep sales of these goods growing has been remarkable. In 1932 total consumer credit totaled roughly $3.5 billion, of which $1.5 billion was installment credit. In July of this year consumer credit totaled roughly $27 billion, of which almost $21 billion was installment credit. This represents a significant increase in the

latter, even when measured against the amazing rise in national income for the same years ($41.7 billion to $365 billion.)

The effect of these credit practices has been to make us a nation where feet are more useful for gas-pedals than for walking; where a man's home really is his castle because he owns it; and where business can unhesitatingly produce more and better things because he knows a mass market exists for them. Because of credit, for instance, more people planned to buy automobiles and major home appliances this year than last, even though they expected prices to be higher.

Nor will credit, intelligently handled, put Americans dangerously in hock. Liquid assets (savings) are currently the equivalent of 90 per cent of one year's income after taxes; similar prewar proportions were 70 per cent in 1940 and 55 per cent in the twenties. Even now, when consumer credit is $4.5 billion greater than it was last year, repayment of installment loans is running ahead of new loans. Since consumer income stays high, the public's credit remains good, allowing for further buying.

VIRTUE 4 Beyond these assurances that consumers will keep production lines humming lies another factor that has snowballed since 1929 into a strong "anti-depression" virtue. In this period our economy has acquired a number of "built-in" stability elements that automatically bolster purchasing power. Such things as social security, unemployment insurance and minimum-wage laws now guarantee income to individuals who, during periods of normal economic fluctuation, would otherwise be compelled to stop shopping.

This purchasing power "floor" has risen to astonishing heights. Ten million people are now covered by private pension plans. Pension and profit-sharing plans for white-collar workers alone are paying out an estimated $150 million a year. State unemployment insurance required a trust fund of $1.2 billion in 1950. In 1939 it required only $815 million, and in 1929, it was nonexistent. That's not all; the biggest "floor" of them all—social security—is currently pouring out about $2.8 billion a year.

VIRTUE 5 Wisdom—or hindsight—is responsible for the fifth virtue of our economy: our newly learned refusal to embark on frenzied speculation, let alone mistake it for a solid boom.

The lesson of the twenties has made us wary of investing money in purely speculative ventures—those not based on productive enterprises.

Fortunately, we have translated our hard-won wisdom into law. The trademark of stock market speculation up to 1929 was buying on margin—paying as little as ten cents on the dollar for stock (and borrowing the rest) in anticipation of a fast and lucrative turnover. Today the legal requirement is fifty cents on the dollar. The result of law and wisdom: today's stock markets serve mainly as centers for the financing of sound and constructive enterprises.

VIRTUE 6 The inherent dynamism of the US economy produces its sixth virtue. Our free enterprise system does not rely on government-inspired growth. When Washington's outlays for defense purposes finally fall off, the restless forces of American business, carrying a lighter tax load and capitalizing on the continuing revolution in science and technology, will be able to keep the economy going up the ladder of production and consumption.

Most American businessmen are constantly seeking, and finding, ways to maintain and increase their companies' earnings without the deadening recourse to market sharing, production controls and price fixing. They take the opposite tack. At the moment, faced with a probable upheaval in the supply and demand pattern, US companies are diversifying their lines on a vast scale, extending roots into every conceivable market and planning to create new ones. The trucking industry, its defense orders dwindling, is out to design and sell lift trucks to civilian industries still using hand labor. The air-conditioning industry has set its sights on half of all the new homes to be built in 1958. The farm machinery industry, to meet falling farm income, is developing smaller and less expensive farm equipment. And all of industry is prepared to burn the midnight oil in order to bring prices down to the level of demand if such a step proves necessary.

VIRTUE 7 This spirit of American business enterprise has an application overseas that constitutes the seventh virtue of our economy. US businessmen are increasingly using their initiative and know-how, not just to create and fulfill foreign demand for their products and services, but also to invest dollars abroad that will quickly find their way back to this country in the form of purchasing power. While it has yet to burst forth in the imaginative and massive business operation of which Americans are so capable, this "growth" area—keyed to the healthy and insatiable appetite for business volume and profits—holds out tremendous possibilities.

These seven virtues, testimony to a living and vital economy, are still not proof against paralyzing fear—fear on the part of consumers and businessmen. We are, in fact, in danger of talking ourselves into a real slump. A Cleveland banker was recently quoted in a prominent economic journal as saying that production is going into inventory. Actually, only a small, probably seasonally normal, amount is—and inventories are not over-loaded in any case. But this is the way fear mounts to blunt initiative and needlessly slow down the economy.

When we destroy the myth that 1929 must inevitably recur, when we face our economic future with the same courage and daring that we do our social and political future, the Seven Lively Virtues of our economy will propel us along a truly remarkable road.

They help each other conquer markets

Twice as much with less trouble too
Is Pepsi-Schweppes the deal for you?

BACK in the Gay Nineties, Dr. Caleb Bradham must have decided that his North Carolina patients lacked bounce, for he invented that liveliest of all soft drinks, Pepsi-Cola. Fully a century before, in Bristol, England, an emigré Swiss, Jacob Schweppe, seemed to think that the "natives" needed a bit more zing in their lives, so he introduced a new soda water, designed to put some sparkle in their whiskey.

It took an unusual experiment in world trade, mutually profitable on both sides of the Atlantic, to join these peculiarly humanitarian products. The arrangenent didn't become a reality until Commander Edward Whitehead, red beard and all, stepped off a BOAC plane at Idlewild last spring. His arrival touched off some well-laid plans based on the marketing of Schweppes tonic in the US by Pepsi, in return for which Schweppes will soon be pushing Pepsi in England.

The business heirs of Dr. Bradham and M. Schweppe first got together in October 1952, and from that meeting came an agreement to sell quinine essence to Pepsi-Cola here through a new company, Schweppes (USA), Ltd., and to have it bottled in the United States, first by the Metropolitan Bottling Company of Long Island and later by Pepsi franchise holders in various parts of the country.

But that covers only the American sales picture. To complete this experiment in transatlantic business cooperation the Pepsi operation in England had to be fitted into the arrangement, so Pepsi sold the bottling plant it already owned in England to a new Schweppes enterprise (Park Bottling Company) while retaining its concentrate plant in London.

When the exchange was over the operation shook down to a setup whereby each company was ready to sell its essence to a bottling company owned by its partner abroad.

Actual production began in the United States on May 18, 1953, when the first bottle of Schweppes came off the Metropolitan line. To make sure the mixture was truly representative of the home product, Schweppes sent over one of its bottling experts and a quality-control specialist. The essence with which they were working was all Schweppes, imported in stainless steel

The man from Schweppes is here!

***The gentleman** on the red carpet (left) and toasting E. R. O'Connell (right), Pepsi bottler in N. Y., is Commander Edward Whitehead, president of Schweppes (USA), Ltd. His appearance was the answer to an ad man's dream.*

drums, but the rest of the product (bottles, carbonated water, etc.) was all Pepsi.

By the end of September Pepsi bottling plants in Chicago, Los Angeles, San Francisco, Miami, and Vancouver, B. C., were receiving Schweppes syrup, prepared and sold to them by the Pepsi-Cola Company, which in turn bought the essence from Schweppes (USA), Ltd. Later this year Pepsi plans to bottle Schweppes soda water (Jacob Schweppe's original product) and this may well aid the company in a field where it has not been noticeably strong.

SCHWEPPES, a foreign product, could not have been sold here without first acquiring a strong brand "name." This required a sound and knowing advertising program, backed by an adequate distribution setup, which only a native firm could provide.

Pepsi already had the distributing establishment; all it needed was slight adjustment (newly painted trucks, extra calls on retail outlets, etc.). What it required was an advertising man with a flair for selling a "name." They found him in David Ogilvy of Hewitt, Ogilvy, Benson & Mather, who brought forth the "Man in the Eye Patch" for Hathaway shirts. And Ogilvy found his special gimmick here in Commander Whitehead's full red beard; hence the pictures of the jolly fellow, the epitome of an Englishman, and "Schweppes-man-extraordinary"* which heralded the arrival of the product he was going to sell (he really is the president of Schweppes [USA], Ltd.).

In later ads, keyed to the theme, "Look where they're drinking Schweppes now" (the Waldorf-Astoria, the Plaza, etc.), the Commander and his beard are given less prominence, but he's there all the same, smiling with a fine patrician beam on all the tony citizens drinking Schweppes. The effect has been about what Ogilvy and his employers were after; readers of those ads rush out and buy that "high-class" beverage.

What happened to the price of Schweppes tonic tells a lot about the advantages of an arrangement such as this and the costs of foreign trade under more orthodox conditions. First, by sending just the essence and not the finished drink, about 90 percent of the shipping charges were saved, and second, the customs duties on essence are well below those charged for a bottled drink.

Before the arrangement, an imported six ounce bottle sold for 29 cents; now it goes for 13 cents. In comparison with the leading competitor, Canada Dry's Quinac, one 10 ounce bottle of Schweppes now sells for 21 cents, against 17 cents for a 12 ounce bottle of Quinac. While there are many factors other than duties involved in establishing the price, it appears that the extra cost of imported essence is not prohibitive, especially in the prestige market Schweppes has staked out for itself in America.

* An expert in "Schweppervessence," as defined by Stephen Potter, Schweppes' ad writer in England and author of *Gamesmanship, One-Upmanship,* etc.

Proof that this bold concept in international trade can work is contained in the startling success of the Schweppes-Pepsi deal.

In the last year (1952) of its attempt to export bottled tonic to America by the usual methods, Schweppes sold 75,000 cases throughout the entire country. In the first two months under the new arrangement Pepsi sold 250,000 cases of Schweppes in the New York City area alone.

While all of this was going on in the US, Schweppes was busy keeping up its end of the bargain by providing sales, distribution and advertising know-how in its home market for Pepsi. But sugar rationing limited the expansion of Pepsi sales in England under Schweppes; it simply couldn't get enough syrup. Further, Schweppes won't be permitted to buy the new equipment it needs to bottle more Pepsi until it can prove that production is increasing, something that obviously can't be proved until it gets the syrup. The recent ending of sugar rationing will allow full scale operations in the near future.

As things now stand, Pepsi owns a concentrate plant in London which sells to Schweppes (and avoids import duties) and exports to bottlers in the sterling area as well as to four small independent bottlers in the middle of England. Meanwhile, Schweppes sells Pepsi in London and the south of England but won't start a full scale sales and advertising program in the rest of the Schweppes outlets in the United Kingdom until supplies are adequate.

SO FAR, most advertising has been point-of-purchase material, not different from Pepsi's practice before its alliance with Schweppes. But when sugar is derationed, Pepsi is expected to show substantial gains in English sales, mainly because the bottling business depends on quantity sales for profit. By having Schweppes apply its knowledge of the market and distributing setup to Pepsi as it would to "one of their own," sales of the drink with "more bounce to the ounce" should rise.

In fact, the Pepsi-Cola Company believes that "important potential profits are inherent in this operation," although earnings will not be really affected until next year.

The entire idea fits into the recent pattern of Pepsi-Cola overseas. Although Coca-Cola has a long lead in total volume (about 4½ to 1, mainly because of US sales), Pepsi runs it a close second abroad, with 203 bottling plants in 49 countries, compared to about 275 for Coca-Cola. In addition, Pepsi seems to fit well into whatever nation it enters, partly through good community relations, partly by having local businessmen as top executives, and partly because people the world over like the old "Twice as Much for a Nickel Too" advertising pitch.

The problem of who controls the cooperative operation, Pepsi or Schweppes, appears to have been solved in a practical fashion. Since the major contribution to

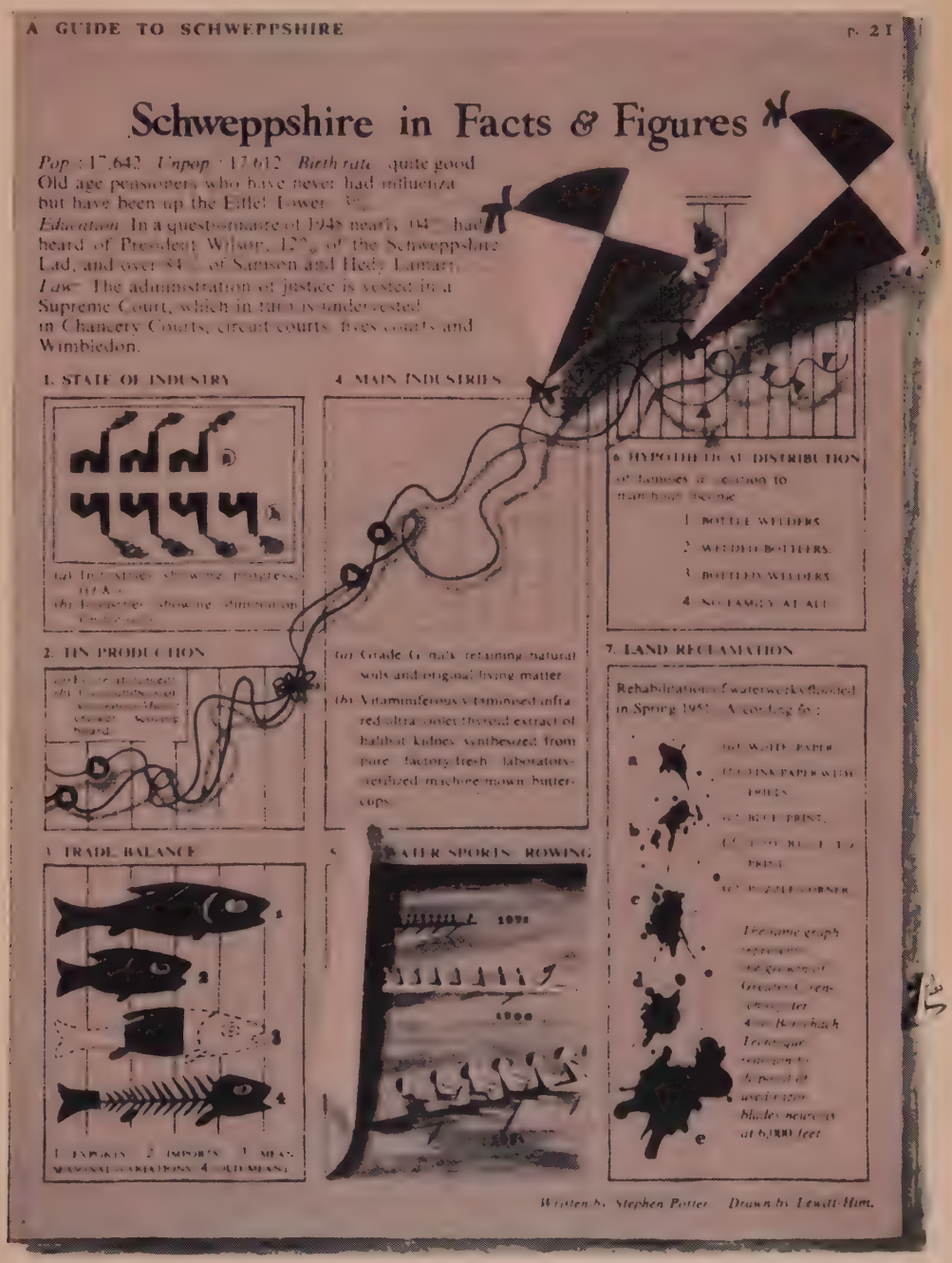
the setup in the US comes from Pepsi-Cola's knowledge of the market, and since most of the profits in the US will be Pepsi's, the word of the American company carries the weight here. However, since Schweppes certainly has a large and direct stake in the sales of the finished product (the more tonic sold, the more essence is needed) its opinion gets major consideration. The setup will be reversed in England, where Schweppes will be the dominant partner.

The benefits of this cooperation are considerable. First, Pepsi-Cola's earnings will benefit from sales of Schweppes tonic in the US, and, later on, Schweppes soda water. Second, they will be increased by greater sales of Pepsi abroad because of Schweppes' knowledge of its home markets. The deal is equally attractive to Schweppes, with the roles reversed.

For Schweppes though, and for any foreign firm, this sort of arrangement has a deeper significance: by working with Pepsi-Cola here it will earn more highly prized dollars.

But this factor of bettering a nation's overall trade position does not favor Schweppes alone. Traditional US exports (agricultural products) have been dropping steadily since the war (if you subtract aid programs, which any long range view must) and if America is even to maintain its export figures, manufactured goods will have to step into the breach.

Thus, despite the fact that it deals with as humble a product as Dr. Bradham's and Jacob Schweppe's soft drinks, this arrangement could have a meaning far greater than the profits to the two companies concerned. It might well set a pattern for similar operations and open up a broad new avenue of healthy world trade.



Changes *in Pepsi's English ads await the time when output in England is boosted. When the day comes, it is likely that the program will be a rather unusual one if Schweppes ads (see right) for their own soft drinks are any hint of things to come.*

Opportunity & Risk

Gateway to Middle East Markets

BEIRUT, LEBANON

The chances for profitable American participation in Lebanese-controlled assembly plants—particularly in the consumer goods field—has been pointed up by the recent experience of Westinghouse. Operating through its dealer in Beirut, this US electrical company provided a good part of the capital needed to erect a $5 million plant. In return, the Lebanese government came through with two special agreements which establish an interesting precedent.

The major concession was to regard the plant site as part of the Beirut Free Zone, so that products destined for other Middle East and Asian markets move out of the country duty-free, while raw materials enter without customs duty. Further, the government has agreed to regard the plant as being in Lebanon proper so far as sales within the country itself are concerned.

It is considered doubtful here that other ventures of a similar size (this is the largest American non-oil enterprise in the Middle East) will be tried until it can be determined whether the area will make use of the new Westinghouse production.

In the immediate future, a substantial opportunity exists here for smaller-scale assembly operations. One much discussed idea locally is that some of the American firms now operating such plants in Europe to supply the Middle East and Asia would benefit from a Lebanese location despite the cost of shipping raw materials.

Strategic Market Position

The fact that Lebanon has a growing and efficient port at Beirut (tied in with the concept of a Free Zone), a free currency market, and its geographic position as the transport link with the Arab heartland, gives this nation some definite advantages.

Local observers believe that these advantages can be capitalized upon through construction of small food processing plants since the country now grows many foodstuffs but lacks facilities to preserve them. Businessmen here contend that it is extremely likely that freezing and canning plants would get the same sort of preferential treatment as Westinghouse.

Tie-in with Local Capital

In an area where nationalism is a prime force, it is not surprising that these special agreements are given only to firms with strong local capital interests. This is not a serious problem since the chances for American ventures are increased by the presence of Lebanese capital, and nationals are eager to develop sound marketing ideas in cooperation with United States investors.

Right now the principal foreign investment is French, a relic of the between-the-wars French mandate—a situation that was never very happily accepted by a strongly nationalistic people. These investments are mainly in the form of government-granted state monopolies covering the Beirut electric and tramway system, the Port of Beirut Company, and a cigarette manufacturer.

Fear of Nationalization

French interests fear that these concession-monopolies will be at least partly nationalized and, since local opinion feels that they stem from the old concept of colonial concessions, it is probable that this concern is well grounded. In fact, the Beirut Electric Company has already been partially nationalized, but inadequate service and drastic concessions exacted by the French when they were riding high in the area are mainly responsible. Most impartial observers feel that the theory of nationalization is basically foreign to Lebanese businessmen, who traditionally are devoted to aggressive free enterprise.

In general it appears that the government and Lebanon's business community are favorably disposed toward granting such special arrangements as the one Westinghouse received—as long as they would improve the base of the national economy.

How to Earn Dollars in England

LONDON, ENGLAND

Opportunities for Americans to establish profitable industrial operations in England would be dazzling were it not for the confusion that surrounds them. This highly developed but capital-hungry country promises rich rewards for US investors, yet Britain's economic ills, and especially her persistent dollar shortages, scare them off.

Perhaps the greatest stumbling block to increased private American investment in England is uncertainty concerning repatriation of capital and profits.

Americans are allowed to repatriate their capital provided the investment was made after January 1, 1950, and dividends can be sent out in dollars as they are earned. In order to invest here, foreign-backed schemes must get the Treasury's blessing by showing that such investments would add to the strength of sterling. Once that blessing is received, only formal permission is needed to repatriate funds.

In practice, permission from the government has not been difficult to obtain—since 1945 more than 95 per cent of American requests have been granted—but the proposition must meet one of two specific criteria for investment.

Earn, or Save, Dollars

The first of these concerns dollar-earning projects. These are not required to add to "essential" production output. For example: a US firm was permitted to invest in a British corset-making firm recently because the American company agreed to buy a specified proportion of the goods produced; hence the project will earn dollars.

The second category covers dollar-saving schemes—investment to produce goods which Britain would otherwise have to obtain by dollar purchases. This is a difficult requirement, since most of Britain's dollar imports are raw materials. Nevertheless there are good possibilities for US investment in this field, and local

financial circles believe that any sound idea will be approved.

Most of the chances for US investors are in the manufacture of specialized machinery. There must be "joint investments" containing both British and American capital, but the division can be 50-50.

In operation it would work something like this: an American firm invests 50 per cent of the capital in a new machinery company and allows the company to use its patents. In return the US firm is allowed to repatriate its capital and dividends, and since the new company will be manufacturing in the sterling area, it can sell in many parts of the world which are closed or restricted to the parent American company.

Incidentally, Treasury officials say that dollar-saving projects need not replace dollar purchases by Britain. They take the view that dollars are saved if the projects provide exports to other sterling area nations which previously have had to spend dollars to buy the goods produced.

Restrictions on Construction

One of the problems facing any new enterprise in Britain is factory space; raw materials for construction have been strictly rationed, but in the past year building licenses have become much easier to obtain.

Recently there have been broad hints by government and business officials concerning the specific types of industry needed—and therefore the ones that the Queen's ministers would be most likely to smile upon.

Among these are factories to turn out virtually all kinds of earth-moving and agricultural machinery, electronic products, business machines, refrigerators, home air conditioning units, oil well and construction equipment, and textile machinery.

A good example of the type of investment the British want is capital expenditure for the nylon-mesh industry. At the moment the government allows only a trickle of nylon hosiery machines to enter the country. British bankers feel that the need for American investment to make these machines could be urged (and would probably be accepted by the Treasury) on the ground that the hosiery produced would improve exports, including those to dollar areas.

Sahara: Boom in the Desert

COLOMB-BECHAR, ALGERIA

A new and exotic region may soon take its place among the major industrial areas of the earth: the French-dominated Sahara—a region as large as Canada—containing important deposits of coal, iron, phosphates, manganese and other strategic materials.

So far Americans haven't played much of a role in Saharan development. Last year about forty US businessmen were reportedly able to realize a turnover of $17 million, but the greatest part of this was accounted for by their import transactions.

However, the US government—through one or more of its aid programs—has made large contributions in the drive toward industrialization. In 1951 US aid totaled $4 million, equal to about 18.5 per cent of all investments in the area. A good deal of this aid was used to improve natural resources, but such development is by no means completed.

Four major Saharan mineral areas await full exploitation. One is the mineral-rich Tafilelt section of eastern French Morocco. Another is centered in Ouarzazat, to the east of the Atlas Mountains, and abounds in manganese. Lead, iron and manganese are being extracted around Bou Arfa, on the Algero-Moroccan border. But richest by far is the Colomb-Bechar-Abadla corridor, where 500,000 tons of coal are produced annually. Large iron-ore fields in the vicinity of the deposits make the region a potential major steel-producing center, if the problem of providing sufficient water and transportation can be solved.

Rail Lines Needed

Transportation is a major stumbling block. Rail links are operating between the Abadla-Colomb-Bechar region and the well-equipped Algerian port of Oran on the one hand, and the Moroccan coast through Oudja on the other. But lines have yet to be built between the N'Fis manganese and lead fields and Agadir—a harbor much closer than distant Port Lyautey—in order to cut high transport costs. Another line is needed from Abadla to the Tafilelt region, where truck transport across the Atlas passes to the coast is more practicable.

Petroleum prospecting, long hindered by the fact that large stretches of the Sahara have not yet been completely charted by geologists, looks promising, but capital is lacking. Prospecting by a number of French companies began in 1948 and continues in the Moroccan Ziz Valley (which has already yielded natural gas), Algeria and Tunisia. French experts do not expect drilling at the present rate to show important results for five years.

Immediate Problems

The industrialization of North Africa, according to French sources here, will aim at forming a so-called "Zone of African Industrial Organization" (ZOIA), with Colomb-Bechar as a nucleus. Main problems—after transport and housing—are construction of thermal plants using local coal for electric power production, and development of agriculture through vastly stepped-up irrigation programs.

An additional problem—from the standpoint of Americans—is that some French circles here are reportedly discussing "nationalization of the Sahara," by which they mean administrative integration of the French Saharan territories, where mining is already largely nationalized.

Whether the present almost negligible private American investment in Saharan enterprises will increase depends to a large extent on the French authorities, who are cool to foreign activity in a zone which they consider their own economic province.

Their standoffish attitude makes it difficult to get information about specific investment openings. American investors must make close contacts—on the spot, if possible — with the French authorities and companies involved if they are to get a seat on the investment bandwagon which will soon transform the Sahara into a modern, dynamic region.

Audit of World Trade

Fair Weather Free Traders

by Paul A. Samuelson
Professor of Economics, M.I.T.

AFTER going underground for a dozen years, high tariff sentiment is again on the rise. Among the blessings of the war and postwar prosperity was relative freedom from the ancient whinings of special interest groups and from the boring repetitions of exploded economic fallacies.

But in 1954 the American economy faces a possible recession. One of a decline's most certain fruits, when and if it does come, will be renewed pressures on Congress to protect American industries from the competition of foreign imports. A worldwide slump is sure to set off the following simultaneous propaganda campaigns in the United States and abroad:

1. Here, the workers will be told that the American standard of living and wage level must be preserved against the competition of lower-paid foreign workers.

2. Abroad, workers will be told that their living standards must be protected from the ruthless competition of American technology.

The gods of trade restrictions can then rub their hands in glee. Higher quotas and higher tariffs all around will be just what the medicine men ordered to cure the evils of technological efficiency in this country and of low costs in countries abroad!

I am not trying to paint too gloomy a picture. But it is necessary to face up to the realistic policy problems lying ahead.

Foreigners — particularly Europeans—still think of the United States as a high tariff country. They believe the dollar shortage and other problems would disappear if only we would grow up to our creditor status, and favor trade rather than aid. They hopefully look forward to a lowering of our tariffs in the near future.

I am afraid this misconstrues the actual situation. As an economist who appreciates how much a fruitful international division of labor can contribute to a higher American standard of life, I of course favor further liberalization of trade. But if I am honest and carefully study the current levels of present duties, quotas, and restrictions, I must admit some truths not fully recognized today:

1. *American tariffs are now relatively low.* Those who think in terms of the 1930 Smoot-Hawley rate structure are out of date. Turn to item after item and you will see how many rates have been halved, and then halved once again. On still other items, the specific dollar duties have, after twenty years of price inflation, diminished in percentage importance and no longer impose sizable hurdles for imports.

2. *Literally wiping out all import restrictions would still not have cured the postwar "dollar shortage" or materially changed the postwar need for American aid programs.* By all means let us hope for fewer impediments to trade. But let us not be fooled into attributing most foreign exchange troubles to those artificial impediments. Even if tariffs were to be done away with, the American market would be a tough nut for the foreign exporter to crack.

3. *Salvaging existing trade gains and holding onto present freedoms of trade, rather than further liberalization, is likely to be our next problem.* The Eisenhower administration has in any case to contend with traditional GOP protectionism in Congress. The recent fine report by Lewis Douglas can be thought of as one step in a delaying action to fend off the greater protection of the Simpson Bill. The appointment of a commission, under the chairmanship of Clarence Randall and including such Congressional protectionists as Senators Hickenlooper and Millikin, should be assessed realistically—as an attempt to purchase time and preserve the status quo.

A sober study of statistics and economic analysis will not for a moment support the view that we can successfully export our depression unemployment to other countries by raising our tariffs. Such beggar-my-neighbor trade policies are, from our own selfish viewpoint, (a) weak in the short run, (b) harmful in the long run, and (c) clearly inferior to other anti-depression policies which can be used by the Administration.

To develop these truths would require more elaboration than I can give here. Which illustrates my crucial point: in a high-employment world environment, the public pays little attention to the special pleader because it doesn't care if the industries that "need" protection wither, if they really are withering, because labor and capital are leaving them *for better paid uses.* But, if the alternative to working in an inefficient industry is to go on relief, the public may not have the time to master that more lengthy appraisal of tariffs which must precede a rational solution.

Of course, the well-advertised 1954 recession may never materialize. None the less, we cannot expect perpetual prosperity. An Administration pledged to give emphasis to an "honest dollar" will have to walk nearer to the line of deflation and labor surplus than would one less sensitive to inflation and more responsible to demands for hyper-employment. So some time in the period ahead, the army of free traders is going to be tested on the economic battlefield. When that day comes, it is likely to lose a good many of its sunshine patriots.

Report on the Customs Fight

THE foreign trade battle seems likely to break out in Congress—even before the Randall Commission sends its report to the President late this winter—when the Senate takes up a controversial revision in American customs law.

This revision, vigorously urged by importers for many years and finally passed this year by the House, would allow importers to apply the basic elements of the free enterprise system to their business operations—a move, experts agree, that would permit a sizable increase in foreign trade.

The stage for the contest was set in the last session by the Senate's deletion from the House-approved Customs Simplification Bill of a provision that would have altered the standards for customs valuation of imported merchandise. The House quickly enacted the discarded clause as a separate measure and the Senate Finance Committee will be under pressure to start hearings on this sensitive legislation soon after they get back from golfing and talking to farmers.

The surgery performed by the Senate was a blow to importers and foreign exporters, for it is on precisely this segment of customs law that reform efforts have been concentrated.

Under present rules, imports are customarily assessed on the basis of "foreign value" or "export value." The law requires the customs appraiser to use the standard which gives the higher price, and therefore the greater yield in duties, when the tariff is expressed as a percentage of price. At a glance the distinction seems trifling, but in practice it can deprive importers, and all who buy foreign goods, of the savings obtained by large-scale buying.

Foreign value is the price at which the foreign seller offers his goods for home consumption. Export value is the price at which those products are offered for export to the US.

The difference can be expressed in dollars and cents. A French manufacturer may sell a product to local distributors at $1 a dozen. The amount customarily taken by each is about 20 dozen. The same firm, however, will give the American importer a price of 90 cents a dozen if he agrees to take 500 dozen. The US tariff on that particular article is 20 per cent.

What can, and often does, happen is that US Customs values the import not at 90 cents but at $1; the duty thus rises from 18 to 20 cents a dozen. The importer has lost 2 cents a dozen —20 per cent of the discount he received from the French company.

The Senate fight could be a bitter one. It seems inevitable that the chamber will be under strong pressure from "protectionist" forces. On the other side of the line will be importers; the Administration, which has had customs reform on its "must" legislative list; and all those businessmen who believe that an increase in US imports is essential to balanced world trade.

THE simplification bill, however weakened, did accomplish several changes which will make importing a less difficult and hazardous undertaking. Among other things, it abolished the requirements for special marking on such articles as knives and surgical and scientific instruments; it ended the 1930 Tariff Act provision that duties be paid on the value declared by importers rather than on that set by Customs, when the former is higher; it eliminated penalties for technical undervaluation of goods by importers. The bill allowed importers to correct clerical errors in documents submitted to Customs; and it extended the period in which they could return imports without losing their right to get back the duties paid at the dock.

The action on markings, for example, should help to lower the cost of some imports and give traders and their foreign suppliers more flexibility in obtaining and producing goods for this market. Under the previous law, a foreign knife had to have a die-cut mark on one specified part giving the name of the manufacturer and the place it was produced. This meant in some instances that separate dies had to be made for knives destined for the US. Under the new law, the marking no longer has to be die-cut but may be applied by simpler and less costly methods.

Technical undervaluation was a provision of the old regulations that occasionally trapped an unwary importer. This term describes the situation in which the value put on a shipment by the importer (with no intent to defraud the government) turned out to be less than that set by the appraiser. Usually the importer discovered the difference before the final assessment was made, and amended his entry. In this case, the importer incurred only the expense and inconvenience of submitting another document to Customs. If the amendment was not made, the importer had to pay a penalty based on the difference between his valuation and the one set by the appraiser.

A companion danger run by the importer before the change in regulations was that, if he overvalued his goods, the customs appraiser had to take the higher value although his own estimate was lower. Again the importer could amend his entry. But if he did not, he paid duty on the basis of the overvaluation.

The right to correct clerical errors is an obvious gain for importers who, like ordinary mortals, can and do make innocent mistakes which might result in their being penalized.

The simplification bill liberalized many sections of the old law dealing with refunds or "drawback" of duties. Of particular importance is its extension from 30 to 90 days of the time limit in which goods that do not meet buyers' specifications can be placed in the custody of Customs for return without payment of duties. The additional time was considered necessary because import shipments frequently cannot be inspected until they reach some inland point.

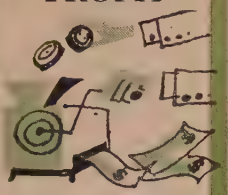
ALL these changes are helpful, but importers are unquestionably correct in complaining that they remove only a few of the arbitrary and obstructive regulations passed in 1930 in an atmosphere hostile to the concept of free trade. They say that what is needed is an overhaul of valuation methods. Judged by this criterion, 1954 should be a crucial year for customs reform. —JEROME OELBAUM

Index for World

	FREEDOM TO MANAGE	TAXATION	TRANSFER-ABILITY	PROPERT SECURIT
	Per cent of ownership; power to hire; official controls; import and export rights.	Legal rates; administrative practices; taxes via artificial exchange rates.	Restrictions on repatriation of profits, dividends, capital.	Danger of tionalization, propriation, a loss through ci violence.
	Weight 22	Weight 16	Weight 9	Weight 3
THAILAND	17	10	8	3
INDIA	12	13	7	2
PAKISTAN	12	13	5	3
CEYLON	13	12	8	3
BURMA	11	11	6	1

THE first consideration of a US businessman as he studies a new foreign investment is: Can I run the business as I do at home? Having weighed his freedom to operate profitably, he wonders how much of his earnings will be taxed away. Next he ponders his chances of remitting his profits-after-taxes in the form of dollars, for he and his stockholders must live and eat in America. His final consideration of political investment factors is the length of time he can expect his plant to be left in his control, in one piece, to earn him a profit. At this point, he turns to the economic side of the investment picture. First, are the resources and facilities necessary for industrial production

Investment

DUSTRIAL ACILITIES	LOCAL MARKET	OPERATING PROFIT	FUTURE OF MARKET	WORLD CH
				
cilled labor; ansportation; ower; support- g industries.	Per capita income; amount, distribution of buying power.	Average rate of return on sales in relation to operating costs.	Rate of economic development; diversification and stability.	TOTAL WEIGHT
Weight	Weight	Weight	Weight	
7	19	19	5	100

					NATURAL FIELDS FOR INVESTMENT
3	12	15	3	71	Textiles, paper, electri appliances, rubber pr ucts, jewelry, hardware a other fabrication of goo for personal consumpti
4	10	18	4	70	Machine tools and indust al machinery, x-ray equ ment, tractors, cutle marine diesel engines, typ writers, sewing machin
3	9	17	3	65	Cement, pharmaceutica chemicals, soap, medicin preparations, bicycle ti and tubes, leather a footwear, light engineeri
2	8	13	2	61	Food processing, dru medicines, stationery, wo products, cosmetics, toi articles, assembly of dios and office equipme
2	6	15	2	54	Agricultural implemen and storage equipme food-processing and relat fields, light electrical a pliances for personal u

present? Then he investigates the size and quality of the market the country affords and the rate of return on sales in relation to costs—the key to his profit possibilities. Finally, he examines the strengths and weaknesses of the market and its probable development. The Index for World Investment brings all these factors together and will continue to evaluate them for five comparable countries each month. Using this tool as the basic step toward a specific, detailed analysis, potential US investors can choose, quickly and accurately, the area which best suits their business.

Address inquiries concerning the Index to WORLD, 319 East 44th Street, New York, 17. (©UN World, Inc., 1953.)

This tragic revelation by a leading Italian businessman should shock Americans into a more constructive economic policy abroad

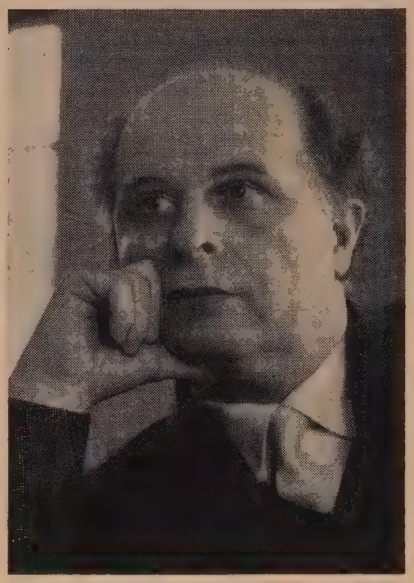
How US Aid Boomeranged in Italy

By Adriano Olivetti

AMERICANS came to the tragic conclusion, after this summer's Italian elections, that four years of economic aid to Italy had been fruitless: in a contest that toppled the De Gasperi government, Communists and their left-wing Socialist allies increased their parliamentary strength by 19 per cent.

But the truth is even worse. Far from stemming the tide of communism, US grants to Italy have done much to encourage it.

Most of Italy's population lives in appalling economic circumstances, and the difference between the worker's standard of living and that of his employer is abysmal. The Marshall Plan held out hope of stimulating a creative and equitable revolution in Italian life which would end the people's misery.



Adriano Olivetti, successful manufacturer of office equipment and machine tools, is respected the world over for his treatment of workers and for his efforts to democratize European business methods.

The hope soon proved illusory. US funds were channeled through the very monopolies and bureaucracy that had created or accepted fascism and are responsible for the country's maladies. Marshall Plan administrators naively assumed that the church, labor unions, industrial leaders and big political parties were progressive and dynamic—as their counterparts are in America. In their separate ways, all of these forces are staunch guardians of the status quo: they effectively quashed reforms the Americans hopefully introduced. In desperation, a majority of the workers turned to the parties of the Left, which promised a better life in terms of fundamental changes in Italian society.

American aid to heavy industry is a perfect—and ironic—example of the way Marshall Plan funds have been used to undermine the foundations of Italian democracy. The reaction of this unreconstructed group of industrialists to the crisis of 1929 set a pattern which, unhappily, Italian capitalism as a whole has followed. While American capitalism was developing a broader understanding of social problems under the whiplash of the depression, Italian heavy industry took a less edifying plunge into corporatism and state capitalism, as exemplified by the 1934 law creating the state corporations and by the Instituto per la Ricostruzione Industriale (IRI)—a great holding company governing the state's stock holdings. In short, industry sought refuge in the dead arms of bureaucracy.

The big industrialists having neatly sidestepped the rigors of competition by their marriage with government, now use labor and money in senseless and unproductive ways. They back the major political parties, which reflect their own narrow interests rather than the real needs of modern society. They have struck hammer blows at freedom of the press, a concept that is rapidly losing its meaning. It is impossible to start a newspaper in Italy today, and the papers backed by heavy industry, such as the *Corriere della Sera*, have handed the government complete control, including the right to name the editor-in-chief.

A democratic society can be achieved in Italy only when the power of these captains of industry is broken; US aid, paradoxically, has increased that power.

Italian trade unions are neither free nor independent and can do little to improve the life of the worker. The largest union organization is the Communist Confederazione Generale Italiana del Lavoro (CGIL), which has inherited the century-old tradition of the Italian labor movement. Yet it is nothing more than an instrument of the Italian Communist party.

Surprisingly enough, the CGIL alone has supported the aims of US aid by fighting seriously to raise industrial wages in Northern Italy and to reform land tenure in the South. Wages and salaries are consid-

erably higher now than they were under fascism, and some of the credit must go to the CGIL.

But, for all its efforts, the CGIL is not really out to help the worker and farmer. It cannot work for full employment and high wages—within the present state structure—because communism could make little headway in such a society.

The second largest labor organization in Italy, the Confederazione Italiana Sindicati Lavoratori (CISL), is a Catholic organization backed by the Christian Democratic party or—in other words—by the government. CISL members are not free to choose their own leaders, and the union's funds are largely provided by industry. Thus the CISL's awkward position is one of dependence on the very industries it supposedly serves to check.

Religion is another factor which has a negative and, because Church and State overlap, profound influence in Italy. Both the Christian Democratic party and the Catholic unions are guided by the Church's secular arm—the strongly conservative Catholic Action.

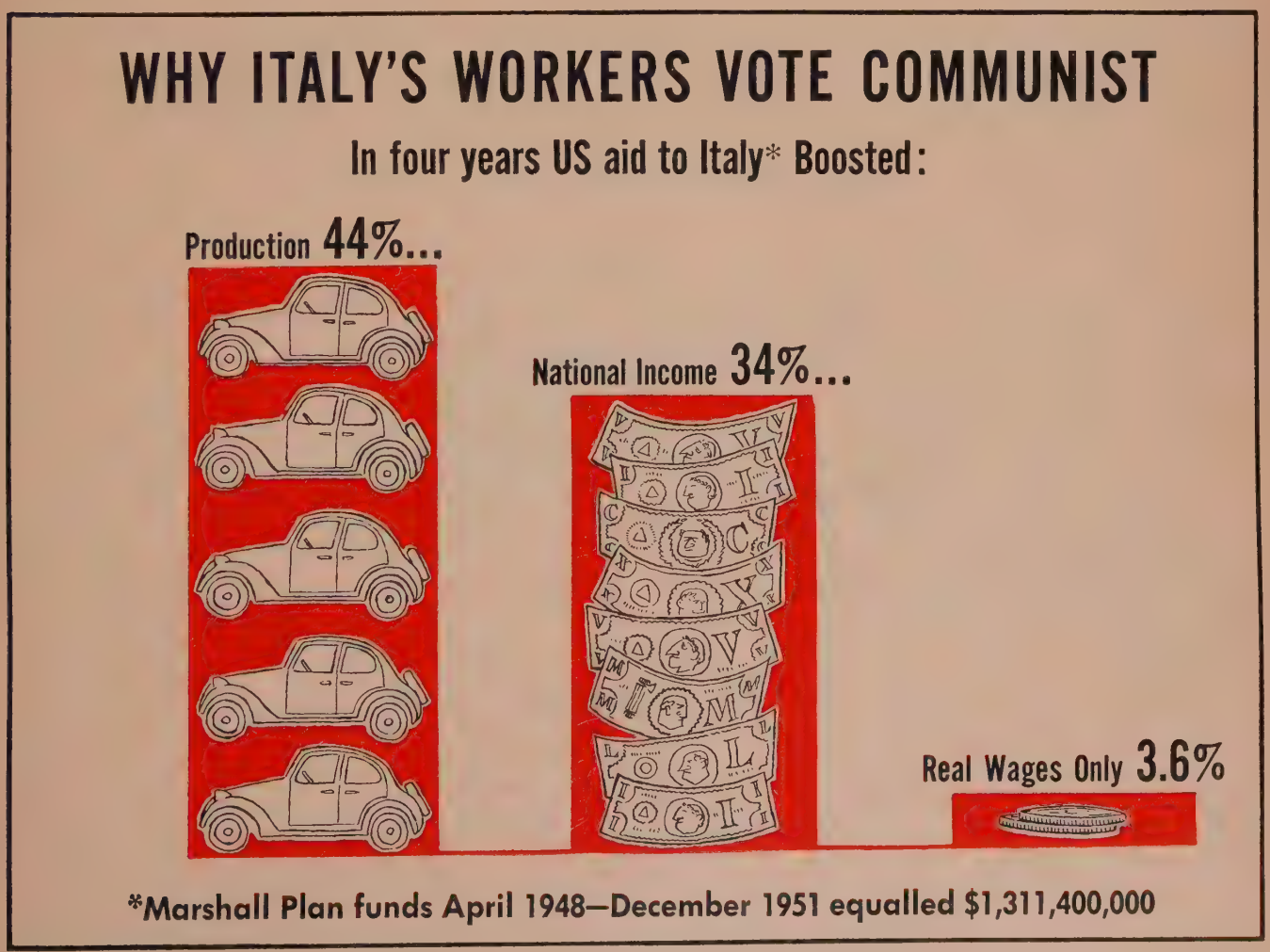
The Roman Catholic Church is an irreplaceable force working for stability in Europe today. Its high spiritual teachings, its determined resistance to every sort of racism and its opposition to the suppression of the individual under communism are tremendously valuable. Inevitably, however, the practical application of its universal aims makes Italy's urgent material problems difficult to solve.

For instance, Catholicism does not permit qualitative distinctions among men. We are all equal before God. This morally admirable approach, when applied to industry, results in disastrous laws such as that passed in 1948 which prevents businessmen like myself from selecting more than one-tenth of our unskilled labor. The majority of our employees are now hired for us by the local State Placement Office, usually on the basis of the worker's need for a job rather than his ability to perform it. Ironically, this deeply Christian concept is working real damage to industry and decreasing the amount of wealth it produces.

These powerful groups, working in close cooperation for self-protection, dominate Italian life. Because of them, the De Gasperi government failed to carry out a modern economic program and was totally incapable of dealing with Italy's worst problem: unemployment. Americans erred in thinking these forces would permit the Marshall Plan to accomplish any significant reforms.

I watched these privileged groups stymie American authorities when I was working with the De Gasperi government to establish new villages in connection

WORLD Chart



with agrarian reform. One model community I helped set up in cooperation with the US Mutual Security Agency was nearly destroyed by official obstruction. The government did not understand—or perhaps feared—what we were trying to do.

Productivity (the drive for industrial efficiency and lower costs) is another example. In the midst of mass unemployment, the suggestion that a workman might be eliminated for efficiency's sake is regarded as a lack of social sense. Labor sees productivity drives as another subtle means of swelling the boss's bankroll at the cost of fewer workers and more sweat per man.

The contrast between US and Italian use of the suggestion-box system is equally discouraging. In a large and inefficient plant—the Cecatto Works—supervised by the government's Committee for Productivity, a suggestion made by a workman saved the company $700 a year. The worker received a paltry $15. Another suggestion which saved $3000 a year was rewarded with less than $30.

Americans never grasped the fact, revealed by these incidents, that the imposition of their methods on the existing structure of Italian society could achieve little, and that shoring up vested interest and privilege with dollars would merely increase Communist success at the polls—as happened in June.

Europe, above all else, needs new ideas. In the minds of its best men the motivating concepts that served for the past hundred years have lost their vigor. Democracy, liberalism and socialism must find a new, vital and harmonious language. Otherwise, our society will passively accept an omnipotent state, whether Communist or Fascist, within ten years.

If Americans want to fight this totalitarian threat, they must quickly bridge the idea gap that separates them from Italian reality. They must attack—not support—decadent and corrupt forms of "democracy."

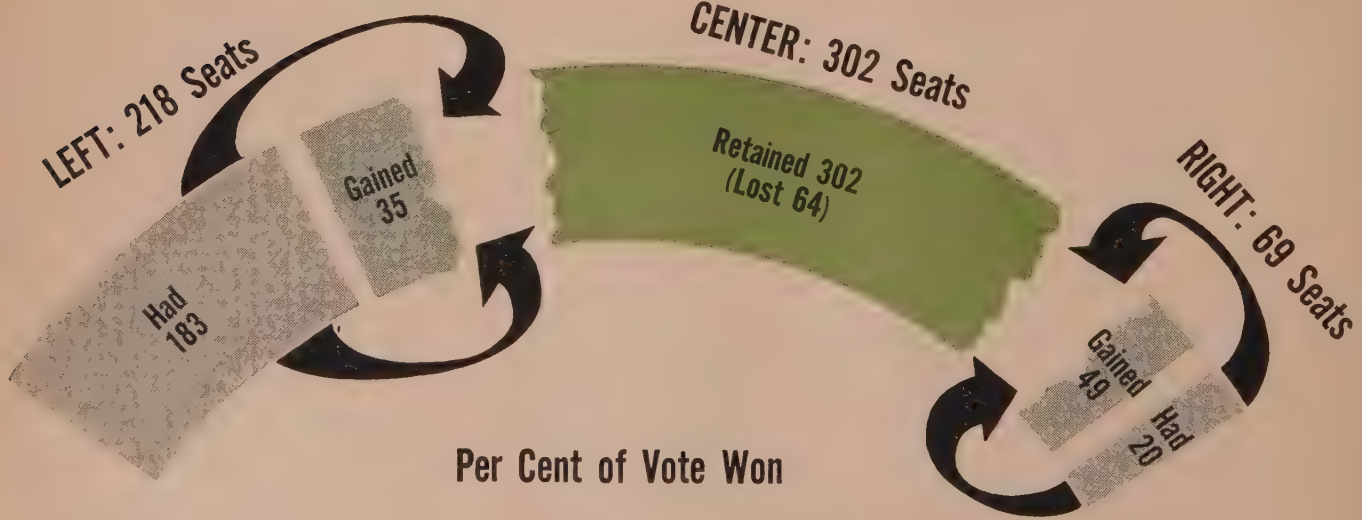
A COMPETITOR'S VIEW OF OLIVETTI

"We have happy memories of Signor Olivetti's visit to Burroughs. We found in him a distinguished European, blending a deep culture with business ability. His achievements in the field of human relations and his application of art to industry, to mention but two aspects of his work, are well known. His contributions have gone beyond the office equipment field and have won him a place of leadership in European industry as a whole."

John S. Coleman, *President*
Burroughs Adding Machine Company

CENTER PARTIES SLASHED IN 1953 ELECTIONS

(Italian Lower House)



Per Cent of Vote Won

Left
- Communists—22.7%
- Left-Wing Socialists—12.7%
- Total—35.4%

Center
- Right-Wing Socialists—4.5%
- Republicans—1.6%
- Christian Democrats—40%
- Liberals—3.1%
- Total—49.2%

Right
- Monarchists—6.9%
- Neo-Fascists—5.9%
- Total—12.8%

WORLD Chart

Audit of World Finance

The Stock Market and Foreign Trade

by Jules I. Bogen

Former Editor, New York Journal of Commerce

It is probable that a number of stocks will soon be under even heavier fire than they are at present. By far the greatest pressure will stem from business competition here at home. The temptation will be strong, however, to point a wrathful finger at foreign competitors.

Because US economic assistance to other nations has been so successful in speeding worldwide reconstruction, American business is now meeting with more effective competition from abroad, both in foreign and domestic markets.

The terrible destruction and widespread disruption caused by World War II greatly increased the dependence of the rest of the world upon American goods. Such leading industrial nations as Germany and Japan ceased for a time to be serious competitors in world markets. As a result, sellers' markets prevailed in foreign trade even more than in domestic business.

This year, the eighth since the end of the war, finds these conditions changing rapidly.

In the first half of 1953, exports from the United States, other than military shipments for mutual security, were 15 per cent lower than in the same period of last year.

Imports into the United States, by contrast, were 4 per cent higher.

There is a real danger that the inevitable result of successful economic reconstruction abroad will foster a return to protectionist thinking in the United States. Already, some Washington officials are indicating that they oppose the use of future US aid to develop stronger foreign competition.

Increased imports also undermine support for reciprocal trade agreements and lower tariffs both in business and labor circles.

The US boom reached a peak last spring. Since then, several indices have turned downward. Stronger competition from abroad, coming at a time when domestic competition is being greatly intensified by the return of buyers' markets, could strengthen protectionist sentiment in many quarters.

It would be distinctly nearsighted and unwise, however, for the United States to modify its liberal foreign economic policy because foreign competition is again becoming effective. Our economic relations with Canada furnish a spectacularly successful example of how two nations can gain through large-scale mutual trading and investment.

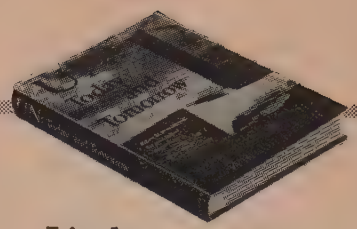
Complaints about more intensive foreign competition, like complaints about stronger competition at home, are a clear sign of a return to more normal conditions.

In a sound private enterprise economy, expanding production makes buyers' markets normal, once wartime conditions no longer apply. Competition among sellers to offer better goods at lower prices is one of the mainsprings of business enterprise.

Less efficient, marginal concerns are bound to suffer. But for the most part they will be hurt far more by domestic than by foreign competition.

It is the return to buyers' markets generally, not foreign competition as such, that will put marginal business under pressure.

This will be reflected in the stock market among issues of companies whose competitive position is relatively weak, as well as in business and employment.



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WORLD CABLE *will not be available on the newsstands or for sale separately.*

Consultants Without Fee

FOURTH ANNUAL REPORT ON EXCHANGE RESTRICTIONS *(International Monetary Fund—free on request from the Fund, 1818 H Street, N.W., Washington 25, D. C.)*

This 342-page survey confirms the unhappy fact that in 1952 no important trend developed to relax exchange controls. The great value of the report is that it shows businessmen exactly what to expect in dealing with any of the 36 member countries covered, since it provides all the available data on exchange and currency restrictions in the world (including Czechoslovakia, but no other member of the Soviet bloc). One striking piece of information: controls instituted in some countries late in 1951 had as great an adverse effect as the much publicized collapse in demand for goods.

COMMODITY TRADE STATISTICS—1952 *(UN Statistical Papers, Series D, Vol. II, No. 4; $4 annually*).*

The latest issue of a useful tool for businessmen who purchase materials abroad. Summarizes the 20 leading nations in world trade and lists (for the first time) the year's main exports from the smaller but nevertheless important countries. The bulletin's greatest value is that it classifies the items and gives the origin and destination of just about every primary material and manufactured product moving in international trade in 1952.

MONTHLY BULLETIN OF STATISTICS, August 1953 *(Vol. III, No. 8; $1 a copy, annual rate $10).*

The important story this seemingly dry collection of figures reveals is the redistribution of world trade among groups of nations with common payments arrangements (the dollar area, the sterling area, and EPU). This monthly study shows just what is happening in the international market (particularly when used with the quarterly *Commodity Trade Statistics*), and it goes back to 1937.

INTERNATIONAL TRADE—1952 *(Contracting Parties to GATT, Geneva; $1.50*).*

This report shows the most important recent changes in government action affecting trade movements and summarizes what each of the 33 contracting states is doing about tariff concessions. This synopsis of the structure and pattern of world trade in 1952 (and other recent years) is invaluable for anyone trading abroad or just plain interested in the international trade picture.

**A United Nations Publication. Address: DPI, United Nations, New York, N.Y.*

WORLD is happy to announce that its monthly columns, Audit of World Trade and Audit of World Finance, will be written by four of the most respected and quoted authorities:

Paul A. Samuelson, *Professor of Economics, Massachusetts Institute of Technology, whom* Fortune *magazine calls one of America's brightest economists.*

Sumner H. Slichter, *Lamont University Professor, Harvard University, regarded by the American business community as an unmatched authority.*

Jules I. Bogen, *former Editor of the New York* Journal of Commerce *and one of Wall Street's most influential commentators.*

Sipa Heller, *Professor of Finance, Graduate School of Economics, New York University, adviser on international finance for top US corporations.*

He Sells Selling

LAST spring the French Chamber of Deputies passed a law permitting installment credit to operate on a limited basis in Paris. To the dynamic American salesman largely responsible for it, this move holds tremendous promise.

"As long as Europeans believe that exports and lower tariffs are the answer to their problems they'll go downhill," Robert A. Whitney insists. "The solution is not foreign but *domestic* consumption, and because they have practically no consumer credit they haven't been able to sell at home. That's why this French law is so important. Maybe the Renault automobile plant in Paris will now operate at more than one-third capacity and its workers will stop riding bicycles."

Whitney's efforts to arouse Europe to modern marketing and distribution techniques goes far beyond credit facilities. He is, in fact, stumping the Continent in a whirlwind effort to erase the fear of "Americanization"—the reduction of human beings to mere consumers in a totally materialistic society—so eloquently expressed in 1932 by Aldous Huxley's *Brave New World.*

Whitney feels this attitude is fatal. "Europe is sinking," he argues passionately, "because it produces goods, not orders. It must learn that selling has economic values. Wealth is never measured by production, but by consumption."

Whitney's chance to salvage Europe by teaching its businessmen the economic values of selling came in 1948 when he was elected president of National Sales Executives, Inc. (NSE), an association of sales managers that has grown under his leadership from 6300 to 22,000 members.

At the time of his elevation the United States was embarking on the Marshall Plan. Whitney promptly cornered its Administrator, Paul G. Hoffman, and declared that the program would flop if it concentrated on production and productivity and ignored consumption and selling. Hoffman replied that selling was a ticklish area for the United States government to enter, and suggested that NSE look into the matter.

Whitney's answer to this challenge was "Operation Enterprise" (all labels, for Whitney, are salesmen), in which small groups of NSE members would tour Europe at their own expense selling the gospel of sales. To date there have been four such excursions. The first, in 1950, went to England and Scotland, and successive groups, again led by Whitney, have traveled the length and breadth of Europe.

THEIR success, according to Whitney, has been little short of fabulous. As a result of the interest they aroused, thirty sales executives clubs have been set up abroad and Whitney's mail is full of letters asking advice and assistance in adopting American sales and distribution techniques. These are the first fruits of Whitney's dream of converting the world to mass marketing à la Ford, and he is understandably enthusiastic.

"We get around the European's aversion to 'selling'," he explains, "by talking about the use of 'persuasion' to move merchandise. We suggest that their biggest fear—overproduction—is really fear of underconsumption. We show them how creating demand has made America great. We convince them that they too can guarantee production in advance. It isn't long before they are telling *us* what a liability unsold goods are and wanting to know how they can market them by up-to-date methods instead of waiting for them to walk off the shelves."

Whitney believes that much of Operation Enterprise's success comes from its altruism, a quality he struggles hard to preserve. "It's tough getting these American executives to give their time and money to go to Europe," he says, "but Europeans are so impressed by it that they are immediately friendly and open to suggestion. Moreover, we never tell them *their* business. We tell them we have our own problems and need their advice. We tell them they're welcome to any ideas we have, and ask them what their problems are. It works beautifully."

If there is a shade of hypocrisy in this (Whitney never goes anywhere without a twenty-six-point speech on how Europeans should merchandise goods), the results more than offset it. The French credit law is only one of many practical measures Operation Enterprise has sparked from Barcelona to Oslo, from Hamburg to Vienna, under the guiding principle that "people never buy anything—they must be sold."

In the final analysis, the biggest factor in the success of Operation Enterprise is Whitney's personality. The idea has undeniable vigor, but the man's conviction is irresistible. This spring he was asked unexpectedly to talk for fifteen minutes before the International Chamber of Commerce meeting at Vienna. At the end of a speech that had everybody, including the Russian observers, listening with rapt attention, three men leaped to their feet and offered him a job on the spot.

Of course, Whitney could never exude such magnetic confidence if his convictions were clouded by philosophic doubt. Mass consumption, for him, poses no threat to human values. Rather, it is the salvation of those values, for it requires economic freedom, which leads to political freedom.

WHITNEY took Operation Enterprise IV to Yugoslavia and believes that mass marketing and "freedom of choice" will eventually spell the end of communism in that country. He has an unconscious faith that individuals will retain their integrity in his brave new world. His only concern is to establish it: Operation Enterprise V leaves early next year for a globe-circling tour, and Whitney's top ambition is to start a sales executives club in Moscow.

Pulp Enters the Cold War

FINLAND, who won high regard in the United States because she was the only nation to pay her First World War debts and then put up a brave fight against the Russians in the "winter war" of 1940, is rapidly being cut off from her traditional Western markets and is watching her trade drift east—toward the Iron Curtain.

Recent trade figures for Finland tell the story. In the first six months of 1953, exports to Britain, usually her biggest customer, dropped almost 25 per cent, and sales to the US declined in about the same degree. Meanwhile the Soviet Union was increasing its imports from Finland by more than 200 per cent.

Lesser members of the two cold war camps have followed the leaders: France and Belgium have arrived at new trade agreements which cut the old rate of purchase in half, while Poland, East Germany, Czechoslovakia and China have sharply increased their volume of trade. The Finns do not particularly want trade with the Soviet bloc, because most of it is done on a barter basis.

The figures for Finnish pulp sales to the US indicate that the pulp industry here has led in cutting purchases from Finland. In the first six months of 1952, sales to the US reached 143,249 tons, but in the same period of 1953 we bought only 60,688 tons. A similar situation exists in regard to exports of paper: sales to the US in the first six months of 1952 equaled 149,962 tons, against 97,618 in 1953. These losses have been catastrophic to the Finns since almost 90 per cent of their exports are wood and wood products. In a desperate effort to hold her American customers they have cut prices on these products by as much as 35 per cent while North American prices rose.

Why haven't US businessmen taken advantage of these bargain prices? One American paper company official explained it this way. "We're buying very little pulp from Finland now," he said, "even though the quality is a bit better than we can get on this continent and the price they're asking is a lot less than North American producers are getting.

"This may seem like economic madness, but it is really just the opposite. In the years right after the war when there was a real shortage, the Finns jacked their prices way up, but the North Americans kept theirs down. The Canadian and US pulp men played ball—didn't put too much of a squeeze on us—so we should go along with them now even if their prices *are* a lot higher than the Finns'.

"In this business a more important consideration than buying at the lowest possible price is continuity of business relationships, which means that you deal with a firm that treats you well under all circumstances.

"We've also cut purchases because Finland is too close to Russia for comfort. We don't want to rely for a large part of our supplies on a country that might easily succumb to the USSR."

The irony of this fear—which by decreasing US trade with Finland may itself bring about Finland's ultimate capitulation—was recognized by this executive, who continued:

"I know that by refusing big purchases from the Finns, our industry may be helping to push them into the Russian orbit, but isn't it expecting too much of the pulp industry to ask it to become a foreign aid agency?"

MAINTAINING friendly relationships with suppliers for reasons other than price is not a trait limited to US businessmen. The Russian orbit is always willing to forget about the price element if the stakes justify it. Cost-price has little meaning to the Soviets or their satellites, where trade relationships are governed by non-economic principles—such as absorbing a new "partner."

So the USSR has set up a series of triangular agreements among itself, Finland and the satellites which provide for Soviet purchases of Finnish wood and engineering products in return for Iron Curtain consumer goods, coal, oil and grains.

The Finnish "engineering" industry is virtually a Russian invention and plays an important role in making Finland dependent on the Soviets. The Finns were told by the Russians to build such an industry after the war in order to pay reparations to the Reds. Now the reparations have been completed, but Finland has a whole new series of factories for which she must find orders or face unemployment.

She cannot get these orders from the West because her costs are too high. Home consumption can't possibly use up the output; the total is much too big. But the Russians and their satellites have been most obliging—they continue to take the products of the factories (and the wood industry) although the factory output, at least, can be bought cheaper elsewhere.

These Communist purchases are obviously a shrewd cold war maneuver. Sixty-five per cent of all the Eastern bloc's purchases from Finland have been of wood or wood products—items the Reds themselves produce on a large scale.

A LESS spirited nation would forget the past and drift into the Russian orbit. But the Finns are courageously struggling to remain free. The decline in income from the West has already caused unemployment, cut Treasury receipts and forced the government to pledge its credit with the Bank of Finland to the legal limit. In order to meet month-to-month commitments, the Treasury has floated all kinds of short term loans—often at 5¼ per cent interest. To keep other costs down the Finns have slashed their budget by making severe cuts in social services and firing government employees.

At the same time, they have slashed corporate profit taxes because (in the words of the Finance Minister) ". . . private initiative must be rewarded." Through 1952, Finland was able to balance her fiscal accounts, but it seems an impossible achievement this year—despite her long adherence to conservative economic principles.

It must seem strange to the Finns that the United States, which has poured billions into the economic and political war in Western Europe, won't spend the estimated $40 to $50 million required in the next few years to shore up Finland's economy, give the people the time and the means to find new markets and—most important—prevent them from becoming the next Soviet satellite.

China Today and Yesterday

By Robert Payne

Reviewed in this article

THE RISE AND SPLENDOR OF THE CHINESE EMPIRE, *by René Grousset. University of California; 312 pp., $6.*

CHINESE THOUGHT: FROM CONFUCIUS TO MAO TSE-TUNG, *by H. C. Creel. University of Chicago; 293 pp., $5.*

CHINA'S GENTRY, *by Hsiao-Tung Fei. University of Chicago; 294 pp., $5.75.*

THE CHINA TANGLE, *by Herbert Feis. Princeton University; 445 pp., $6.*

SHANGHAI: KEY TO MODERN CHINA, *by Rhoads Murphey. Harvard University; 206 pp., $4.50.*

SALT FOR THE DRAGON, *by Esson M. Gale. Michigan State College; 234 pp., $4.*

AMERICANS AND CHINESE: TWO WAYS OF LIFE, *by Francis L. K. Hsu. Henry Schuman, New York; 457 pp., $6.*

DAYBREAK IN CHINA, *by Basil Davidson. British Book Centre, New York; 191 pp., $2.50.*

NUN IN RED CHINA, *by Sister Mary Victoria. McGraw-Hill, New York; 208 pp., $3.75.*

Amid the ancient quiet of Chinese life: a Red hurricane

IN 1949 a hurricane swept through China. We know it as the Chinese Communist Revolution, but it might be better to regard it as the explosion of a huge natural force: a sudden eruption of murderous hate and passionate energy, almost inexplicable and nearly always unpredictable even to those who thought they were riding the storm. When the dust settled, it was seen that something of prodigious importance had occurred: in a single year the 8,000-year-old civilization of China was torn up by the roots.

This hurricane confronts us with questions we must solve because they involve our own survival. If we are to deal with China at all, we must know where the Chinese Communists derive their strength, how accurately they represent the Chinese people, and where they are vulnerable. To answer these questions we must study China's ancient past and remorseless present.

There are occasions when one should bow to the scholars and leave the poor journalists alone. One can only bow before the brilliance of Professor René Grousset's *The Rise and Splendor of the Chinese Empire*, completed shortly before his death. Here is scholarship as it should be: clear, concise, written out of vast knowledge, pity and love. In thirty chapters and three hundred pages he sweeps through the whole course of Chinese history. There are no stereotypes: everything is fresh, as though seen for the first time—the wars, the rebellions, the great migrations from the Yellow River, the fury of the princes, the incredible fortitude of the peasants, the arrogance of the Emperors and the melancholy of the poets.

He shows you a ruthless, brilliant and beautiful race perpetually at odds with itself, possessed of a terrifying vigor and impatient of victories. They tamed the rivers, cut highways

through mountains, fought the aborigines to a standstill, and never forgot that they received their mandate from Heaven. They were ruthless and predatory, but at the same time they preserved a sense of life's vivid beauty.

This is a book to cherish and return to continually, until another Gibbon arises to give us a perspective from a higher mountain. We hope it will be widely read in Washington.

●

Professor Creel has been something of an *enfant terrible*. His studies of Shang Dynasty culture and Confucius had more than the permissible number of wild guesses. In his new book he eschews guesswork. He shows how the various philosophies of China emerged, places them against their historical backgrounds, and if he does not succeed in making them equally interesting, he is not afraid of their complexities. He writes best about the Taoists and the Legalists, those contending opposites, the one gentle, the other savage. This, too, is a book to read and cherish, for nowhere else in a short compass will you find a book on Chinese philosophy with such a sweep and sense of the grandeur of the subject.

The merit of Professor Creel's book rests securely on his sketch of the development of Chinese philosophies; he has little of importance to offer on Chinese Communist theory. For him Mao Tse-tung remains a mystery, a queer inversion of the traditional peasant-scholar, a man who has imbibed Marxism without recognizing its weaknesses. He shows how Mao explicitly disavowed any effort to impose a Russian or Marxist cultural pattern on China only to discover that the logic of his revolution had imposed that very pattern. Creel believes, probably rightly, that Liu Shao-ch'i's long, obscure and almost unreadable work, *How to Be a Good Communist*, has already superseded Mao's writings as the bible of the Chinese Communists.

Robert Payne, author of Forever China, Sun Yat-sen, China Awake, The Revolt of Asia, *and a biography of Mao, lived and taught in pre-revolutionary China for many years.*

Of far greater importance for an understanding of present-day Chinese communism is Professor Hsiao-Tung Fei's *China's Gentry*. Intended as a serious study of the scholar class, it fails in its purpose, but as an apologia for the failure of the scholars to assume power in the interval between the defeat of Japan and the debacle of the Kuomintang it is a profoundly disturbing document. Written in the fall of 1948, when Peking was already ringed by Chinese Communist troops, and dictated to an American student, *China's Gentry* conveys the excitement of the times.

What role have the Chinese scholar-politicians played in the past? What role should they play now? According to Fei, the scholars never attempted to acquire power. They were satisfied if they could serve the Emperor and the needs of their clan. They never felt a sense of responsibility to the people. Politics was anathema to them. Their role was to maintain the ethical standards of the past and to transmute them into the present. The argument is outrageous. It is simply not true that the scholars avoided politics; they fought for power, cultivated it, deliberately sacrificed themselves for it, and the best of the Chinese politicians have been scholars while the worst have been military adventurers.

There is little logic in Professor Fei's statements; he is writing a threnody on a failing time. The scholars are attacked because so many of them live superficially like Westerners. He sees no hope in the soldiers, who are uprooted simply by virtue of being conscripts. There is no hope to be found among the students because they refuse to return to their native villages. There are parasites everywhere. All is black. The fantastic attack on the scholars is buttressed with quotations from the Chinese poets, who deliberately shunned politics. Like them, Fei believes politics is foul, and, like them, he believes in miracles.

It was not always so. Once in Kunming Professor Fei belonged to the small and heroic band of scholars who openly denounced the Chinese Communists and the Kuomintang, pleading for a government of the talents. One night in October 1944, when Fei was addressing the students of the universities which had traveled across China to find a resting place near the North Gate of the city, the Kuomintang troops were ordered to fire over his head to prevent him from making his speech. He refused to be intimidated, and shouted: "My voice will be heard above the sound of the bullets." By 1948 his voice was no more than a terrified whisper. The Chinese scholar had abdicated.

Professor Fei's essay comprises rather less than half the book. The rest is filled with six excellent studies of rural life in the neighborhood of Kunming. They read like short novels and include portraits of scholars, soldiers, bureaucrats and gangsters. The amazing complexity of village life is described in detail, and so too are the weaknesses and dislocations which arise from divided authority.

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In *The China Tangle* Herbert Feis has written a valuable record of the calamitous days between Pearl Harbor and the Marshall Mission. In this work of elaborate scholarship he has compared the evidence as it has come down to us from the Kuomintang, the Chinese Communists, American state papers and the pronouncements of *Pravda*, and if there is nothing very startling in his disclosures, he has shown by implication where and when the rot set in.

We made mistakes, but were they mistakes? He is not sure, and it is not his business to apportion errors. As he unfolds his story, we see how, week by week and sometimes day by day, the chains were drawn tighter around the Americans in China. He notes General Hurley's ineffectiveness, but he shows that Hurley was less to blame than the government which couldn't make up its mind.

Hurley never received an explicit statement of American policy; he was kept in ignorance of American military intentions. Convinced that the British, French and Dutch were conspiring together against American efforts to unify China, he wasted his energies in lambasting windmills and he was blissfully unconscious of the furious powers wielded by the Chinese Communists. Unlike Marshall, he gave way to wishful thinking, believing that the Chinese Communists were not really Communists, were not deeply devoted to the principles of communism; and he believed this simply on the basis of his celebrated conversation with Stalin, who openly derided Mao.

Feis's bare summary of the gradual decline of American influence in China reads like a Greek drama. We see the

spirit draining out of the Kuomintang, the emergence of the Chinese Communists as a formidable power, and the rivalries of American commanders in the China theater against a background of mischances, forgotten memoranda and broken promises.

Because this is essentially the history of an American defeat, he pays due attention to the fact that Mao's speech before the Seventh Congress of the Chinese Communist party in April 1945 passed unnoticed in America, though it furnished an unmistakable clue to Mao's intentions, and he notes casually that Morgenthau's failure to provide the Kuomintang with the $200 million promised in 1943 seriously weakened the whole economy. At one point he says: "The American treatment was little more than a sermon on endurance and good government." This is not quite true. The Kuomintang was given vast military and economic aid, but its inability to utilize it was equaled only by our own inability to discover where it would be most useful. Not till it was too late did we see that the aid should have gone to the Chinese peasants.

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There is scholarship, and to spare, in Rhoads Murphey's history of Shanghai. He is concerned chiefly with the Foreign Settlements, the municipal gas works, the rise and fall of the tides, the silt in the estuary, the laws of supply and demand as they were practiced on the impressive toe hold which the Western merchants sedulously cultivated until they had half of China's foreign economy in their hands.

He says little about the warships which paraded their power on the Bund, but he shows how the toe hold became a strangle hold; and how, out of the terrible rabbit warrens of Shanghai, there grew up such a hatred of the West that our control of the Shanghai estuary was doomed. When you have finished the book, you understand why both Mao and Chiang Kai-shek agreed on the necessity of throwing the foreigners out of Shanghai.

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So here are five excellent and helpful books written by scholars who have immersed themselves in a study of China. The four remaining titles are jokers. Esson M. Gale's *Salt for the Dragon* is a rambling account of a salt inspector's experiences from 1908 to the last war. . . . Professor Francis Hsu's *Americans and Chinese* pretends to be a study of two cultures, but never really gets to grips with either. He compares the obscenity of the great Chinese novel, *The Golden Lotus,* with the obscenity of *From Here to Eternity,* approving the one and commiserating Americans on the other. In a footnote he points out that more American than Chinese females commit suicide by taking barbiturates.

Daybreak in China and *Nun in Red China* cancel each other out. One is written from the point of view of the confirmed pro-Communist who saw only the rosiest of red skies over Peking, the other by a nun who was imprisoned by the Chinese Communists. One would trust the nun's account more if it did not show signs of having been severely edited to conform to a stereotype, but Basil Davidson's credulity passes all belief.

NEW AND NOTEWORTHY

The World Between Wars, *by Quincy Howe. Simon & Schuster; 784 pp., $7.50.*

Volume Two of the historian-journalist's history of our times; unusually successful in its quotations, its balancing of cultural developments and political events, and its easy style.

The Ruling Few, *by Sir David Kelly. British Book Centre; 449 pp., $4.50.*

The penetrating memoirs of a ranking diplomat of thirty years' standing, with an absorbing picture of pre-1914 Oxford and keen observations on Russia.

The Terror Machine, *by Gregory Klimov. Praeger; 400 pp., $4.*

The author, born in Russia in 1917, fled from East Berlin in 1947 after two years as head of the Industrial Branch of the Soviet Economic Administration. One of the best accounts yet of Soviet rule, and rulers, in Germany.

Quackery in the Public Schools, *by Albert Lynd. Little, Brown; 282 pp., $3.50.*

A lively attack on the Deweyites and progressive educationists of the teachers' colleges, overstated but telling, with a plea for better pay and sounder training for teachers in the classics, mathematics, history and philosophy.

Fire in the Ashes: Europe in Mid-Century, *by Theodore H. White. William Sloane Associates; 405 pp., $5.*

Four requisites for Western success: realization of the impossibility of one grand settlement with Russia; continuous armament and negotiation; recognition that Western vulnerability lies within—socially, politically economically; US leadership free of undue Congressional interference.

From the University Presses

The Root of Europe, *edited by Michael Huxley. Oxford; 112 pp., $3.*

A study of the various civilizations that have come under the direct influence of Greek culture, revealing that both the West and East share a common testator. Seventeen maps and more than 100 fine plates.

Grateful to Life and Death, *by R. K. Narayan. Michigan State; 213 pp., $3.*

A delightful novel about an English teacher in an Indian university by the Indian writer whose earlier novel, *The Financial Expert,* won merited praise.

How Russia Is Ruled, *by Merle Fainsod. Harvard; 575 pp., $7.50.*

A splendid example of the work being done on the USSR by American scholars, in this case a study of the instruments of political power.

The United States and Italy, *by H. Stuart Hughes. Harvard; 256 pp., $4.*

A sympathetic survey of modern Italy —the land, the people and the current political dilemma. Fourteenth in the admirable American Foreign Policy Library series.

The American Family in the Twentieth Century, *by John Sirjamaki. Harvard; 227 pp., $4.25.*

A sane, clear, up-to-the-minute interpretation of the American family by the Yale sociologist. From the Library of Congress Series in American Civilization.

The Jews in the Soviet Satellites, *by P. Meyer, B. D. Weinryb, E. Duschinsky and N. Sylvain. Syracuse; 637 pp., $6.50.*

The inevitable concomitance of totalitarianism and anti-Semitism is graphically shown by this massive, irrefutable documentation of the Kremlin's racist practices in its satellite states.

Poland: White Eagle on a Red Field, *by Samuel L. Sharp. Harvard; 338 pp., $5.*

The Polish-born author, a former political analyst for the OSS, discusses wartime and present-day Poland with authority and perception.

Sideshow

"Nothing human is foreign to me."—EMERSON

Union Nudes: In Osaka, Japan, 150 steamed-up members of a bathhouse union stripped to the buff, shouldered signs and went on a sitdown strike in a public bathhouse. An hour later they came charging out again, lobster red and gasping for air. They had forgotten that management controlled the steam.

Political Ping-Pong: *In Czechoslovakia, Communist policy-makers of the national sports association decided that champion ping-pong player Alena Kotatkova was ideologically out of step. Her style, while brilliant enough to have won her many international prizes, was strictly defensive, and as such unworthy of the forward-surging spirit of a Communist state. Ordered to change to an offensive game, Kotatkova tried, failed, has now been dropped from the Czech team.*

The Lottery: Weeks after the funeral of lottery-playing Vicente Perez in Santiago de Chile, his wife spotted a naggingly familiar number in the newspaper listing of winners. Checking back in the little black book where she always noted down his ticket numbers, she discovered that her husband had posthumously won the jackpot of 1,000,000 pesos (about $6,000). There was only one catch: it became obvious, after she had ransacked the house, that the winning ticket had gone to the grave with Vicente. Police finally gave her permission to exhume the body—only to find that grave-robbers had stolen the clothes. Tracking down the robbers, detectives learned they had sold the suit to a fence, who in turn had pawned it. At the Bank of Popular Credit, hanging on a rack with thousands of other shoddy garments of the poor, the widow Perez found the suit. Breathlessly she searched its pockets—and there, carefully tucked away, was the winning ticket which would keep her in comfort and security for the rest of her days.

Pub Plug: *In Britain's pubs, serious-minded dart-throwers had a new subject to discuss over their mild-and-bitter: the dartboard with the built-in commercial. The invention of a 44-year-old publicity man named Donald Barrington-Hudson, the boards feature an electric bull's-eye which, when hit, lights up, congratulates the thrower and urges all hands to have another round of the sponsor's product.*

How to Live Longer: In Aurangabad, India, the Oldest Inhabitant died recently at the respectable age of 110. Her diet for the last 50 years: milk, opium, and betel leaves, of which she chewed about 200 a day.

Solomon's Choice: *In Capetown, South Africa, a high-school principal sweated over an unprecedented problem presented by the segregation policies of racist Premier Daniel F. Malan. Applying for admission were the twin children of an Indian-European marriage. Searching his lawbooks and his soul, the principal finally found his solution: one twin was rejected as "colored," the other admitted as "white."*

Red Channels: In Moravska Trebova, Czech Comrade Kovar of the District National Committee wanted to look over the bylaws of the local Communist Youth League. After due thought as to procedure, he sent out a memorandum requesting that they be submitted, in two copies, to his office. In case no copies were available, Comrade Kovar added helpfully, they could be obtained at his office.

Crime and Antidote: *In Dundee, Scotland, a gang of teen-age burglars recently broke into a grocery store, made off with two dozen cans of chocolate cream. Their next crime, later that same night, was committed in a drug store. The loot: eleven bottles of pills for indigestion.*

Reuter's Last Message

(*Continued from page 9*)

that split up the big estates of the Prussian junkers.

Similarly, the businesses of prominent Nazis will not be returned to them. Others will undoubtedly be given back to their original owners. But even the state-owned companies will undergo drastic changes.

We know that East Zone workers are sick and tired of state ownership. They have seen the state as employer exploit them more ruthlessly than private firms ever dared to. In a unified Germany they will ask for a fair representation in the factory councils and a profit-sharing system at all places of employment, whether state or privately owned.

The pattern East Zone labor would like to see followed is that of the famous Zeiss works in Jena —pre-Hitler style. The works were founded fifty years ago by millionaire Ernst Abbe, a pioneer who made his workers part owners of his plant and built homes, theaters and clubs for them. The workers would like to rekindle his spirit in well-disposed employers, but they will not use violence and coercion. They have learned the meaning of freedom the hard way.

In keeping with its traditions, a unified Germany will again try to form a commercial bridge between East and West. It will reinforce its business ties to Britain, which has always been its biggest customer. But it will do as much business with the USSR and the Balkans as they can handle. For the Soviet Union, these trade relations will be a better guarantee of our peaceful development than any security treaty.

At the same time, no one today is more greatly imbued with the European ideal than the youth of Germany. Our country can therefore be expected to give its full support to the budding European Federation, regardless of the party that is in power at home. Thus we Germans will constitute a new force for stabilization on the Continent. And after having been in turn the symbol of tyranny and of the struggle for freedom, our crippled capital—my beloved Berlin—will at last become the symbol of mankind's desire for lasting peace.

World Business Correspondents Cable:

What's Ahead

LA PAZ – Recent moves by the Eisenhower administration to bolster the Bolivian economy and stop the encroachment of communism are totally inadequate, experts here insist. First, Washington has finally agreed to purchase Bolivian tin, but only at world market prices--about 80 cents a pound. According to the country's Minister of Mines, Juan Lechine, it costs Bolivia $1.03 to produce a pound of tin. To make up the difference, US officals have promised to double the $1.5 million economic aid Bolivia was receiving and grant her substantial gifts of food. Second, the Eisenhower administration seems content with this feeble, stop-gap effort and is not interested in a program to help Bolivia start up the road to permanent economic health. The United Nations has already blueprinted a plan to diversify Bolivia's economy and tap her sizable mineral and agricultural resources. It would require an initial fund of $20 million for exploration and development, which an international agency such as the International Bank for Reconstruction and Development could provide and supervise. Informed sources here believe that US Republicans are opposing this program--the only one capable of making Bolivia's economy self-generating--on the ground that it violates the principle of free enterprise. Because these Bolivians see little chance of private capital entering the country, they fear for Bolivia's political future.

OTTAWA – The action of the United States in granting $5 million worth of farm products to hard-up Bolivia is causing officials of this food-exporting nation deep concern. Canadians harbor no grudge against Bolivia, or against any of the other countries receiving American food gifts, such as Pakistan. But they and other food exporters face the same difficulty as does the United States in finding foreign markets for agricultural surpluses, and they are starting to wonder where US charity ends and dumping begins. Particularly disturbing to them is the law passed in Washington this year providing for disposal of surplus US farm products to needy countries--under which the Bolivian and Pakistani food gifts were made. They recognize that the political pressures on the Republican administration will probably force it to give US farmers what they want next year. This means that more surpluses--and more "charity"--are in the cards. It is rumored that Bolivia will soon get another $5 million in agricultural products.

BONN – Comment in the Western press on the nearness of convertibility of the mark is being taken with a grain of salt by impartial observers here. First of all, when West Germans now speak of convertibility they mean a strictly limited form--one that would exclude capital transactions. Even a restricted type depends on similar action by other Continental nations--something that is not expected to happen unless the sterling area takes the lead.

Second, while the German economy has made a remarkable comeback--greatly aided by sound fiscal policies--there are two new drains developing on the nation's monetary resources. One comes from payments to be made on pre-Hitlerian debts while the other stems from the fact that up till now, Western Germany has not had to rearm. This latter situation will change when she becomes part of EDC and has to pay the costs of building an army. These demands on the economy will cut into West Germany's reserves and reduce her immediate ability to make the mark freely convertible.

CAIRO – Ever since West Germany industry recovered from the war, the British have been losing ground in Middle East markets. But for the moment at least, the British still have one advantage: the Arab nations have bought so much from Bonn that they can pay for no more, and the West Germans are not yet rich enough to play the banker for the Middle East. Thus, because they can extend credit in the area, the British should see their exports to Arab states rise next year while German sales will probably decline.

What's Ahead

SYDNEY – One result of the Commonwealth Economic Conference--to be held here in January--probably will be a request to President Eisenhower to call a "Free World Economic Conference" in Washington. This stems from the realization that attempts to solve the various trade problems on a piecemeal basis have not worked very well--and that it is not possible to find a solution except by a concentrated and joint attack on the many issues that confound the economic viability of the free world.

HONG KONG – The recent Japanese trade mission to Peking will result in increased Sino-Japanese trade despite the continuance in power of the Yoshida government in Tokyo. Intensive propaganda aimed at Japan by the Red radio makes it clear that the ultimate aim of the Chinese is to get rid of the present Japanese regime and draw that nation into the Communist sphere. The Reds hope to be able to exert enough influence--by offering to raise their Japanese purchases if changes are made in the government--to cause Yoshida's fall.

But there is more to this maneuver than just increasing Japanese trade. The Reds feel sure that when the Western nations (except for the United States) see Japan collaring this market they will quickly readjust their ideas about embargoes against China.

PARIS – The Soviet trade offensive, by which the Communists hope to replenish their stocks of food and raw materials, acquire strategic goods such as precision instruments, and sow economic discord in the West, is moving into high gear. Holding it up was doubt on the part of potential Western customers that the Soviets could deliver the goods. The Reds are now offering--and delivering--automobiles and buses in more than token quantities. A total of 500 Pobedas and Moskvichs are reported registered abroad by non-Russians and non-Soviet-bloc diplomats. Russia's satellites in Eastern Europe are expanding their output of high quality consumer goods--part of it to serve the Soviet bloc's foreign trade purposes. Czechoslovakia is offering artistic glassware, feathers, costume jewelry, and television sets; Hungary, radios. Although Russia's need for agricultural implements is largely satisfied, the USSR is expanding production of these tools for trade with underdeveloped area. Timber exports are being stepped up substantially: Soviet agents in London and Copenhagen are negotiating for early summer shipments of timber, doors, and window frames. So anxious is Russia to buy in the West that, where she lacks goods for export, she digs deep into her huge precious-metal hoard. More than $30 million worth of silver, gold and platinum was sold in world markets in August-September to expedite purchases in European and sterling-area countries. All these moves have given the Soviet trade drive momentum and threaten to impose severe strains on the economic threads that hold the free world together.

HONG KONG – China is one of the world's oil-rich countries--if the lengthy report of a crack Russian geologist, just made in Peking after three years of study, is correct. The Chinese are already making a big effort to see that the country becomes a major oil producing country. Oil technology is being heavily stressed in the present education drive, and the press carries frequent reports of stepped-up prospecting and drilling.

Russian experts have been hard at work on existing oilfields, and much special machinery has been imported from Eastern Europe to advance the oil program. Signs that the program is succeeding include the fact that buses and trucks in the interior, previously converted to charcoal gas, have been reconverted to gasoline. The immediate consequence of the emergence of Chinese oil on the world market would be to depress prices even more than the present glut of oil has done, creating one more headache for Western producers.

CARACAS – When the Pan American Union meets here in March, most of the Latin American members will press the United States for commodity agreements in order to eliminate the "boom or bust" conditions under which they have been existing. In the past, when raw materials were in short supply the commodity producers lived well. When demand fell, the opposite was true. The position of the US is crucial because of the large amount of commodity-buying done by that nation. Should the US go along with the idea and sign a series of stabilization agreements, most Latin American nations feel that they will enter a new economic era and be better able to cope with the problems of industrialization and development. The Latin Americans have a strong bargaining weapon in their hands, since the Russians are offering to take surplus raw materials from them on a long-term, stable basis through barter deals.